



LODI CITY COUNCIL

Carnegie Forum
305 West Pine Street, Lodi

**** A G E N D A ****

REGULAR / SPECIAL JOINT MEETING
Lodi City Council
Lodi Public Financing Authority

Date: February 17, 2016

Time: Closed Session 6:30 p.m.

Regular Meeting 7:00 p.m.

For information contact: **City Clerk (209) 333-6702**

6:55 p.m. Invocation/Call to Civic Responsibility. Invocations/Calls may be offered by any of the various religious and non-religious organizations within and around the City of Lodi. These are voluntary offerings of private citizens, to and for the benefit of the Council. The views or beliefs expressed by the Speaker have not been previously reviewed or approved by the Council, and the Council does not endorse the beliefs or views of any speaker.

C-1 Call to Order / Roll Call

C-2 Announcement of Closed Session

- a) Conference with Adele Post, Human Resources Manager, and Jordan Ayers, Deputy City Manager (Labor Negotiators), Regarding Lodi City Mid-Management Association, AFSCME General Services and Maintenance & Operators, International Brotherhood of Electrical Workers, Police Mid-Managers, Lodi Police Officers Association, Lodi Police Dispatchers Association, Fire Mid-Managers, Lodi Professional Firefighters, and Unrepresented Confidential Employees; and Conference with Adele Post, Human Resources Manager, and Stephen Schwabauer, City Manager (Labor Negotiators), Regarding Unrepresented Executive Management Pursuant to Government Code §54957.6 (CM)

C-3 Adjourn to Closed Session

NOTE: THE FOLLOWING ITEMS WILL COMMENCE NO SOONER THAN 7:00 P.M.

C-4 Return to Open Session / Disclosure of Action

A. Call to Order / Roll Call

B. Presentations – None

C. Consent Calendar (Reading; Comments by the Public; Council Action)

C-1 Receive Register of Claims in the Amount of \$7,293,520.85 (FIN)

C-2 Approve Minutes (CLK)

a) February 2, 2016 (Shirtsleeve Session)

b) February 3, 2016 (Regular Meeting)

C-3 Accept Quarterly Report of Purchases between \$10,000 and \$20,000 (CM)

C-4 Accept Quarterly Investment Report as Required by the City of Lodi Investment Policy (CM)

C-5 Accept Donation of Kiwanis Picnic Shelter at Lodi Lake Park from Kiwanis Club of Greater Lodi (PRCS)

Res. C-6 Adopt Resolution Awarding Contract for 2016 Pavement Crack Sealing, West Lodi Avenue, to Telfer Pavement Technology, LLC, of McClellan (\$42,891) (PW)

Res. C-7 Adopt Resolution Awarding Contract for Central Plume – Mid Plume PCE/TCE Groundwater Treatment Project to Water Rock Construction Corporation, of Alameda (\$445,000) (PW)

- Res. C-8 Adopt Resolution Authorizing City Manager to Execute Task Order No. 39 with West Yost Associates, of Davis, for Engineering Design and Construction Management Services for White Slough Water Pollution Control Facility Improvements (\$469,300) (PW)
- Res. C-9 Adopt Resolution Authorizing City Manager to Execute Agreement with Partners for a Safer America (PD)
- Res. C-10 Adopt Resolution Authorizing City Manager to Execute Agreement for Copy Machine Equipment and Maintenance with Ricoh, USA (\$104,000) (PD)
- Res. C-11 Adopt Resolution Authorizing City Manager to Apply for Grant Administered by Department of Alcoholic Beverage Control (PD)
- Res. C-12 Adopt Resolution Selecting State Route 99/Turner Road Interchange Improvements as Project Nomination for San Joaquin Council of Governments' One Voice Trip (PW)
- C-13 Authorize the Mayor, on Behalf of the City Council, to Send a Letter of Opposition for SB 876 (Liu): Enforcement of Local Ordinances (CLK)
- C-14 Set Public Hearing for March 16, 2016, to Consider Resolution Adopting Pre-Approved Proposition 218 Consumer Price Index-Based Annual Adjustment to Rates for Solid Waste Collection (PW)

D. Comments by the Public on Non-Agenda Items

THE TIME ALLOWED PER NON-AGENDA ITEM FOR COMMENTS MADE BY THE PUBLIC IS LIMITED TO FIVE MINUTES.

Public comment may only be made on matters within the Lodi City Council's jurisdiction (Government Code Section 54954.3, Lodi City Council Protocol Manual Section 6.3I). The Council cannot take action or deliberate on items that are not on this agenda unless there is an emergency and the need to take action on that emergency arose after this agenda was posted (Government Code Section 54954.2(b)(2)). All other items may only be referred for review to staff or placement on a future Council agenda.

E. Comments by the City Council Members on Non-Agenda Items

F. Comments by the City Manager on Non-Agenda Items

G. Public Hearings

- Res. G-1 Public Hearing to Consider the Appeal of Bella Terra Plaza / Rio Valley Charter School for Reconsideration of the Planning Commission Project Indecision (CD)

H. Communications

- H-1 Monthly Protocol Account Report (CLK)

I. Regular Calendar

- I-1 Receive and File City's Annual Financial Report (Fiscal Year 2014/15) by Macias, Gini & O'Connell, LLP (CM)
- Res. I-2 Adopt Resolutions and Approve Documents and Actions Regarding the Partial Advance Refunding of the 2007 Series A Wastewater Certificates of Participation:
- Res. (a) Adopt Resolution of the City Council Approving Documents and Actions Related to the Refinancing of the 2007 Series A Wastewater Certificates of Participation and the City's Related Wastewater Revenue Installment Obligation; and
- (b) Adopt Resolution of the Lodi Public Financing Authority Authorizing the Issuance and Sale of 2016 Refunding Wastewater Revenue Bonds to Partially Advance Refund the 2007 Series A Wastewater Certificates of Participation and the City's Related Wastewater Revenue Installment Payment Obligation, and Approving Related Documents and Official Actions (CM)

NOTE: Joint action of the Lodi City Council and Lodi Public Financing Authority

J. Ordinances – None

K. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Jennifer M. Ferraiolo
City Clerk

All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the Office of the City Clerk, located at 221 W. Pine Street, Lodi, and are available for public inspection. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation contact the City Clerk's Office as soon as possible and at least 72 hours prior to the meeting date. Language interpreter requests must be received at least 72 hours in advance of the meeting to help ensure availability. Contact Jennifer M. Ferraiolo at (209) 333-6702. Solicitudes de interpretación de idiomas deben ser recibidas por lo menos con 72 horas de anticipación a la reunión para ayudar a asegurar la disponibilidad. Llame a Jennifer M. Ferraiolo (209) 333-6702.

Meetings of the Lodi City Council are telecast on SJTV, Channel 26. The City of Lodi provides live and archived webcasts of regular City Council meetings. The webcasts can be found on the City's website at www.lodi.gov by clicking the meeting webcasts link.



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CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Receive Register of Claims through January 28, 2016 in the total amount of \$7,293,520.85

MEETING DATE: February 17, 2016

PREPARED BY: Financial Services Manager

RECOMMENDED ACTION: Receive the attached Register of Claims for \$7,293,520.85

BACKGROUND INFORMATION: Attached is the Register of Claims in the amount of \$7,293,520.85 through 1/28/16. Also attached is Payroll in the amount of \$2,634,383.96

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: As per attached report.

Ruby R. Paiste
Financial Services Manager

RRP/mlm

Attachments

APPROVED: _____
Stephen Schwabauer, City Manager

Council Report

City of Lodi, CA - v10.5 Live

1/15/2016 through 1/28/2016

Fund			Amount
100 - General Fund			1,877,617.05
120 - Library Fund			17,207.84
140 - Expendable Trust			22,979.87
200 - Parks Rec & Cultural Services			32,442.67
270 - Comm Dev Special Rev Fund			3,101.84
301 - Gas Tax-2105 2106 2107			8,535.15
307 - Federal - Streets			45.13
350 - H U D			12,353.55
431 - Capital Outlay/General Fund			12,554.16
432 - Parks & Rec Capital			3,240.00
434 - Arts in Public Places-IMF			5,100.00
500 - Electric Utility Fund			3,398,384.77
501 - Utility Outlay Reserve Fund			820,894.64
504 - Public Benefits Fund			447,522.75
505 - IMF EU Substation & Trans Syst			126.00
530 - Waste Water Utility Fund			165,402.81
531 - Waste Wtr Util-Capital Outlay			4,000.00
560 - Water Utility Fund			81,347.30
561 - Water Utility-Capital Outlay			577.46
590 - Central Plume			6,857.06
600 - Dial-a-Ride/Transportation			168,297.39
601 - Transit Capital			70.00
603 - Prop 1B - TSSSDRA			33,356.23
650 - Internal Service/Equip Maint			52,208.94
655 - Employee Benefits			78,063.36
660 - General Liabilities			2,099.90
665 - Worker's Comp Insurance			39,134.98
Total			7,293,520.85

Council Report: Payroll
City of Lodi, CA - v10.5 Live
Pay Period 1/17/2016

Fund	Description	Amount
100	General Fund	1,533,598.18
120	Library Fund	43,726.90
200	Parks Rec & Cultural Services	213,658.68
270	Comm Dev Special Rev Fund	60,445.02
301	Gas Tax-2105 2106 2107	58,890.74
500	Electric Utility Fund	360,552.68
530	Waste Water Utility Fund	264,799.22
560	Water Utility Fund	44,764.12
600	Dial-a-Ride/Transportation	17,464.68
650	Internal Service/Equip Maint	36,483.74
Report Total		2,634,383.96



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CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Approve Minutes
a) February 2, 2016 (Shirtsleeve Session)
b) February 3, 2016 (Regular Meeting)

MEETING DATE: February 17, 2016

PREPARED BY: City Clerk

RECOMMENDED ACTION: Approve the following minutes as prepared:
a) February 2, 2016 (Shirtsleeve Session)
b) February 3, 2016 (Regular Meeting)

BACKGROUND INFORMATION: Attached are copies of the subject minutes marked Exhibit A and B, respectively.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.

Jennifer M. Ferraiolo
City Clerk

Attachments

APPROVED: _____
Stephen Schwabauer, City Manager

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, FEBRUARY 2, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, February 2, 2016, commencing at 7:00 a.m.

Present: Council Member Johnson, Council Member Mounce, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler

Absent: None

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

NOTE: Mayor Pro Tempore Kuehne arrived at 7:01 a.m. and left at 8:11 a.m.

B. Topic(s)

B-1 Discuss Framework for Operating Budget and Reserve Policies (CM)

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding the Operating Budget and Reserve Policies. Specific topics of discussion included goal, operating budgets, basic guidelines, reserves - Governmental Accounting Standards Board (GASB) reporting, reserves - General Fund, reserves - Special Revenue Funds, reserves - Enterprise Funds, and Reserves - Internal Service Funds.

Council Member Mounce questioned if having such policies would tie the hands of Council and make it more difficult to deviate from the strategy, using the energy cost adjustment as an example. City Manager Schwabauer stated that Council would set the policy and plan as a concept on how the budget will be structured going forward and how to reach this goal. It is a difficult task, but without a plan, it will be challenging to achieve the ultimate purpose. He added that Council would have the ability to change or deviate from a plan. In further response, Mr. Schwabauer explained that there are a number of reserves that are unfunded, as well as operations without reserves. Council Member Mounce stated that a policy would prevent councils from spending money on less important issues and help build up funds for building replacements, roof repairs, and vehicle replacements, but it would also limit Council. In further response, Mr. Ayers stated that at next week's Shirtsleeve Session he will review GASB's new standard for reporting other post-employment benefits (OPEB). He stated that the formula has changed and staff is currently in the process of compiling the actuarial. Based on the last numbers, the unfunded amount for the OPEB liability is roughly \$17 million split evenly between the dedicated employees and the \$130 per month the City pays for each employee's post-employment retirement and medical coverage. He stated that he did not believe the City should fund that at a 100 percent level, but it should begin funding the liability now. Mr. Ayers further confirmed that OPEB will be required to be reported on the balance sheet beginning with the June 30, 2016 financials.

In response to Council Member Nakanishi, Mr. Ayers stated that GASB requirements apply to all state and local government agencies.

Mr. Schwabauer reported that staff is expecting \$1 million more in California Public Employees Retirement System (Cal-PERS) costs than what was budgeted and stated that pension stabilization funds provide councils with flexibility when extraordinary costs arise. Cal-PERS would like cities to invest their funds with it, but if Cal-PERS loses the money, it is gone. With a pension stabilization fund, Council would maintain control over its level of risks on investments and use those dollars to subsidize unpredicted expenses in the budget.

In response to Council Member Nakanishi, Mr. Schwabauer stated that many other cities are going with pension stabilization funds and there are several companies who can provide that service. Mr. Ayers further explained that the City could give money to Cal-PERS in a regular fund or a side fund, but there are also third-party investment agents who can set up qualified trust funds. Cal-PERS is not guaranteed; it is an investment that will fluctuate up and down. A third-party investor can more aggressively invest the City's money and keep it local, depending on the level of comfort. Those funds would be available to the City if it experienced an unexpected spike over budgeted amounts instead of paying out of local funds. In further response, Mr. Schwabauer explained that the only OPEB issue for Lodi is the sick leave conversion to health care for employees hired before 1994 and the Cal-PERS post-retirement health care benefit of \$130 per employee per month.

Council Member Mounce questioned the difference between investing through Cal-PERS and a third-party investor because the risks and lack of guarantees would be similar. Mr. Ayers stated that the City could not direct Cal-PERS on which investments to pursue; however, the City would have greater control on its investments with a third-party investor. Mr. Schwabauer added that Council would set the investment level.

Council Member Nakanishi stated that he prefers Lodi control its own investments as Cal-PERS is more politically motivated. Council Member Mounce argued that the Council is just as political, citing the example of when a past Council opted to spend all of the money during the Cal-PERS superfunding instead of saving it.

In response to Council Member Johnson, Mr. Ayers stated he will research and provide Council with the Cal-PERS objective rate of return in its general portfolio at next week's Shirtsleeve Session. Council Member Johnson stated it would be disconcerting if Cal-PERS has an unrealistic financial objective that the market would not support. Mr. Ayers stated that, at this point, staff brought up this issue to ascertain whether or not this concept should be included in a comprehensive budget policy. He summarized that, based on the discussion thus far, Council agrees it should be in the policy, but the mechanics of the policy require further dialogue.

Council Member Mounce expressed the importance of depreciating City assets and setting aside funds for asset replacement.

In response to Council Member Nakanishi, Mr. Ayers stated that these policies would be formalized in the budget document.

In response to Mayor Chandler, Mr. Ayers stated that a three-year useful life criteria for equipment and infrastructure is typical among agencies. Council Member Mounce stated that the basic accounting standards are seven years for equipment, 15 years for infrastructure, and five years for vehicles.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers stated that staff decided on a three-year useful life criteria based on prior history, adding that most agencies go with a three- to five-year lifespan. Mayor Pro Tempore Kuehne stated that the useful life should be extended beyond three years. At Council Member Mounce's suggestion, Mr. Ayers stated staff would review the Federal IRS guidelines and adjust the proposed schedules.

Council Member Nakanishi stated that he believed most businesses would lease new equipment or borrow money to replace failed equipment because they do not have enough money to create a reserve fund. Mr. Ayers pointed out that Lodi already has a vehicle replacement fund, which is the only reserve fund of this type, and it is only funded at half the necessary level.

Council Member Mounce stated that this issue came to the forefront because of the struggle Parks and Recreation had in funding necessary projects. Too many cities find themselves in situations where their fleet is depleted and buildings are dilapidated and there are no funds set aside for maintenance and upkeep. She stated that having reserves for these types of matters is prudent if the budget will allow for it.

Mr. Ayers stated that staff will return with a stratified structure and breakdown on the classification of assets along with the useful lifespan and dollar value. Mayor Pro Tempore Kuehne stated it would also be helpful to know staff's priorities on funding these reserves: 1) which are emergencies; 2) which are high priority without an emergency; and 3) which are wish list items. Council Member Mounce requested that staff also survey employees to ascertain their priorities as they may have a different perspective.

In response to Council Member Nakanishi, Mr. Ayers stated that Parks, Recreation, and Cultural Services currently has a 38 percent recovery ratio and the proposed 40 percent would provide an incentive to increase revenues.

In response to Council Member Johnson, Mr. Ayers stated that department heads would evaluate their programs and whether something should be added or deleted, which would then come before Council for approval.

In response to Mayor Pro Tempore Kuehne, Parks, Recreation and Cultural Services Director Jeff Hood stated that in the last fiscal year the subsidy to Hutchins Street Square to the debt service was \$150,000. He stated that the Square has the smallest drain on the budget at this time with Recreation being the more significant burden.

In response to Council Member Mounce, Mr. Ayers stated that the policy could state that the City Manager has the authority to assign funds up to \$20,000 and anything over that amount would come to Council.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers and Mr. Schwabauer confirmed there currently is no policy on the assignment of funds.

In response to Council Member Nakanishi, Mr. Ayers explained that assignment of funds is a designation to hold funds for a set purpose, but it is non-binding. As an example, there is an unassigned fund balance designated for future labor costs, but Council has not yet formally acted on it; therefore, those funds cannot go into the category of "committed" funds. Instead, it would fall in the "assigned" category. Mr. Ayers stated that if Council does not wish to provide the City Manager authority to assign funds up to \$20,000, therefore leaving Council to approve funds in both the "committed" and "assigned" categories, then it was unnecessary to have both categories.

In response to Council Member Mounce, Mr. Ayers stated that most cities have crafted a reserve policy that mirrors the GASB requirements, but Lodi is late in doing so. Council Member Mounce requested that staff share other cities' policies with Council. Mr. Ayers stated that, during his research, he discovered that those who adopted policies typically did so during positive financial times because it provided a framework to rely on when revenues decreased.

In response to Council Member Mounce, Mr. Ayers confirmed that Council could use the money from the economic reserve if sales tax revenue slipped dramatically and prevented the City from meeting its budget. He pointed out that the policy includes a requirement that, if the reserve dips below a certain level, the City Manager must return the funding to that level. Mr. Ayers stated that he would prefer the reserve threshold to be 24 percent of revenue instead of 8 percent, adding that the average reserve amount of 36 cities surveyed was 26 percent, with the low at 7 percent and high at 78 percent. Council Member Mounce suggested that staff review the past 25 years for the average downturn and extrapolate that into a percentage, which should produce a reasonable base reserve policy percentage.

Council Member Johnson stated it was understandable to strive for an AA+ rating, but questioned if it was worth the struggle and being tight on funds in order to maintain that level for the few times the City goes to market for financing.

In response to Mayor Pro Tempore Kuehne, Mr. Ayers stated that the catastrophic and economic reserves, each at 8 percent, equal one month each of reserves.

Council Member Mounce pointed out that the City was able to reach those 8 percent goals through employee concessions and stressed that building reserves should not be done over a short timeframe that puts a burden on those individuals who ensure continuance of operations.

In response to Council Member Mounce, Mr. Ayers stated there is value in having a positive rating when looking to borrow money, but there is a trade off of figuring out how to get to that point, increasing revenues, monitoring expenses, and paying attention to debt service. The relationship with Northern California Power Agency (NCPA) can be viewed negatively against Lodi because the rating agencies consider NCPA-related costs as debt against the City.

Council Member Johnson expressed disappointment that the NCPA relationship could be held against the City, particularly after its General Manager chastised Lodi in the past for having a poor rating.

In response to Council Member Mounce, Mr. Schwabauer stated that, if Lodi were no longer a member of NCPA, it would be challenging to purchase power on the market alone as a small city. He added that rating agencies have yet to answer why an agency is penalized for owning an asset and for paying the debt service on it. Council Member Mounce requested information from staff on what the outcome would be for Lodi if it were not members of NCPA and how others who previously broke off from NCPA are currently doing. Mr. Schwabauer pointed out that this information will be dependent upon the cities' financial situations, ratings, and sizes.

In response to Council Member Nakanishi, Mr. Schwabauer stated that a utility can and should have a reserve in order to handle a catastrophic situation, similar to any other business. In 2008 when a line collapsed at White Slough Water Pollution Control Facility, the funds to repair that situation would have been borrowed if an emergency reserve did not exist. There are no limitations in Proposition 218 on reserves, but there is also nothing in the law stating what an appropriate reserve amount should be, but he believed it should be a fiscally prudent number. Mr. Schwabauer added that the water and wastewater utilities have a reserve in place for PCE cleanup, but that is a known liability that is backed by an engineer's estimate.

In response to Council Member Mounce, Mr. Ayers stated that the concept is to create a framework with policies, but the tough decisions will be implementation, prioritizing, and how to set aside funding. Mr. Schwabauer added that it will be impossible to fund these proposed reserves within the near future, and Mr. Ayers confirmed the figures will be significant and it will take time to get the reserves fully established.

In response to Council Member Mounce, Supervising Budget Analyst Susan Bjork stated that staff will be able to implement and work within the proposed policies and this would not add a significant burden to the staff workload.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:15 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk

LODI CITY COUNCIL
REGULAR CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, FEBRUARY 3, 2016

- C-1 Call to Order / Roll Call - N/A
- C-2 Announcement of Closed Session - N/A
- C-3 Adjourn to Closed Session - N/A
- C-4 Return to Open Session / Disclosure of Action - N/A
- A. Call to Order / Roll Call

The Regular City Council meeting of February 3, 2016, was called to order by Mayor Chandler at 7:02 p.m.

Present: Council Member Johnson, Council Member Mounce, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler
Absent: None
Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

B. Presentations

B-1 Certificate of Recognition for Abbie Mulbarger for Participation in Earth Hour (EU)

Business Development Manager Adam Brucker introduced Abbie Mulbarger, who gave a brief presentation on Earth Hour 2016. Ms. Mulbarger reported that Earth Hour, which began in 2007 in Sydney, Australia, has now grown to over 170 countries and encourages citizens to turn off all non-essential lights and other electrical items for one hour on March 19, 2016, from 8:30 to 9:30 p.m. Mayor Chandler presented Ms. Mulbarger with a Certificate of Recognition for her efforts to promote Earth Hour 2016.

C. Consent Calendar (Reading; Comments by the Public; Council Action)

Council Member Mounce made a motion, second by Mayor Pro Tempore Kuehne, to approve the following items hereinafter set forth, **except those otherwise noted**, in accordance with the report and recommendation of the City Manager.

VOTE:

The above motion carried by the following vote:

Ayes: Council Member Johnson, Council Member Mounce, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler
Noes: None
Absent: None

C-1 Receive Register of Claims in the Amount of \$3,841,819.26 (FIN)

Claims were approved in the amount of \$3,841,819.26.

C-2 Approve Minutes (CLK)

The minutes of January 6, 2016 (Regular Meeting), January 12, 2016 (Shirtsleeve Session), January 19, 2016 (Shirtsleeve Session), January 20, 2016 (Regular Meeting), and January 26, 2016 (Shirtsleeve Session) were approved as written.

C-3 Approve Specifications and Authorize Advertisement for Bids for Lodi Electric Utility Storage Yard Block Wall (PW)

Approved the specifications and authorized advertisement for bids for the Lodi Electric Utility Storage Yard Block Wall project.

C-4 Accept Improvements Under Contract for City Hall Annex First Floor Phase 2 Interior Remodel Project (PW)

Accepted the improvements under the contract for the City Hall Annex First Floor Phase 2 Interior Remodel Project.

C-5 Accept Improvements Under Contract for School Street Tree Well LED Light Retrofit Project, Lodi Avenue to Locust Street (PW)

Accepted the improvements under the contract for the School Street Tree Well LED Light Retrofit Project, Lodi Avenue to Locust Street.

C-6 Adopt Resolution Accepting U.S. Environmental Protection Agency Brownfields Community-Wide Assessment Grant and Appropriating Funds (\$400,000); and Awarding Contract for Brownfields Grant Implementation Assistance to Stantec Consulting Corporation, of Rancho Cordova (\$376,000) (CD)

Adopted Resolution No. 2016-13 accepting the U.S. Environmental Protection Agency Brownfields Community-Wide Assessment Grant and appropriating funds in the amount of \$400,000; and awarding the contract for Brownfields grant implementation assistance to Stantec Consulting Corporation, of Rancho Cordova, in the amount of \$376,000.

C-7 Adopt Resolution Authorizing City Manager to Apply for Selective Traffic Enforcement Program Grant Funded by the Office of Traffic Safety (\$180,000) (PD)

Adopted Resolution No. 2016-14 authorizing the City Manager to apply for a Selective Traffic Enforcement Program Grant funded by the Office of Traffic Safety in the amount of \$180,000.

C-8 Adopt Resolution Authorizing City Manager to Apply for Petco Foundation Grant (\$23,933) (PD)

Adopted Resolution No. 2016-15 authorizing the City Manager to apply for a Petco Foundation Grant in the amount of \$23,933.

C-9 Receive Report Regarding Boards, Committees, and Commissions (CLK)

Received a report regarding Boards, Committees, and Commissions.

C-10 Set Public Hearing for February 17, 2016, to Consider the Appeal of Bella Terra Plaza / Rio Valley Charter School for Reconsideration of the Planning Commission Project Indecision (CD)

This item was removed from the Consent Calendar by Council Member Johnson for discussion purposes.

Council Member Johnson referenced the Blue Sheet item from Planning Commissioner Randy Heintz regarding the proximity of alcohol-related businesses within 600 feet of a school facility (filed) and questioned if this requirement makes the appeal unnecessary.

Council Member Mounce suggested this item be pulled from the agenda and postponed until it is determined if the project is in violation of the law.

City Attorney Magdich stated that the applicant is entitled to a hearing, as was requested, and that she will have a response at the February 17, 2016, public hearing regarding the issue brought forth by Planning Commissioner Heinitz.

Council Member Johnson made a motion, second by Mayor Pro Tempore Kuehne, to set a public hearing for February 17, 2016, to consider the appeal of Bella Terra Plaza / Rio Valley Charter School for reconsideration of the Planning Commission project indecision.

VOTE:

The above motion carried by the following vote:

Ayes: Council Member Johnson, Council Member Mounce, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler

Noes: None

Absent: None

D. Comments by the Public on Non-Agenda Items

THE TIME ALLOWED PER NON-AGENDA ITEM FOR COMMENTS MADE BY THE PUBLIC IS LIMITED TO FIVE MINUTES.

Public comment may only be made on matters within the Lodi City Council's jurisdiction (Government Code Section 54954.3, Lodi City Council Protocol Manual Section 6.3I). The Council cannot take action or deliberate on items that are not on this agenda unless there is an emergency and the need to take action on that emergency arose after this agenda was posted (Government Code Section 54954.2(b)(2)). All other items may only be referred for review to staff or placement on a future Council agenda.

None.

E. Comments by the City Council Members on Non-Agenda Items

Council Member Nakanishi stated that a recent memo from the City Manager reported that Lodi's water is clean and meets federal and State standards. He explained the process in which Lodi's water comes from the Mokelumne River, sedimentation sinks to the bottom, the water runs through state-of-the-art filtration and membrane systems, and receives light chlorine treatment.

Mayor Pro Tempore Kuehne reported that it is highly probable a house will be donated to Salvation Army for transitional housing purposes for the homeless and that the Kiwanis Club of Greater Lodi is donating a \$60,000 covered picnic shelter for Lodi Lake.

Council Member Mounce stated that she received an e-mail with information regarding a program that pays homeless individuals \$9 an hour for five hours a day to work on cleaning up the city. She suggested the Homeless Solutions Committee look into employing a few individuals to clean up east side alleys. Council Member Mounce stated she would forward the e-mail to the City Manager.

Mayor Pro Tempore Kuehne stated that the Committee looked into a similar program from the Bay Area and it is an idea worth pursuing.

Mayor Chandler reported that he and 35 Lodians travelled to New York City to take part in Lodi's recognition as Wine Region of the Year from Wine Enthusiast magazine and he went to Sacramento for the wine trade show where Michael-David Winery was named Winery of the Year. Mayor Chandler reported that he also participated in Legislative Day for the Northern California Power Agency, at which he and staff informed legislators of important issues relating to operations of a utility and maintaining local control.

F. Comments by the City Manager on Non-Agenda Items

None.

G. Public Hearings - None

H. Communications

H-1 Post for One Expiring Term on the Lodi Improvement Committee (CLK)

Council Member Mounce made a motion, second by Council Member Johnson, to direct the City Clerk to post for the following expiring term:

Lodi Improvement Committee

Sunil L. Yadav, term to expire March 1, 2016

VOTE:

The above motion carried by the following vote:

Ayes: Council Member Johnson, Council Member Mounce, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler

Noes: None

Absent: None

I. Regular Calendar

I-1 Provide Direction on the Setting of Rebate Caps for the Annual Lodi Electric Utility Solar Rebate Program (EU)

Business Development Manager Adam Brucker provided a presentation on rebate caps for the annual Lodi Electric Utility Solar Rebate Program. Specific topics of discussion included Council's request to bring the matter back to discuss reducing the caps; the Senate Bill 1 (SB1) requirement to offer solar rebates to commercial and residential customers through a solar surcharge on customer bills; the rebate fund of \$600,000 a year; and application process. Mr. Brucker stated the current caps are \$7,000 for residential projects and \$40,000 for commercial projects; the City awarded 52 residential rebates and three commercial rebates last year; and the increased interest in solar projects has caused the City to award rebates on a lottery basis instead of a first-come, first-served basis. In comparison, Lodi is within range of the Northern California Power Agency cities with regard to its residential cap amount and in the upper range on commercial. If the current levels are maintained, Mr. Brucker estimated the City could award roughly 58 residential rebates, depending on where the commercial cap is set.

In response to Mayor Chandler, Mr. Brucker stated that last year there were more requests than funds available, which resulted in a lottery selection. He estimated that 200 permits were issued for solar projects with only a total of 55 residential and three commercial projects completing. In 2015, the average cost for a residential solar system was \$2,700. In further response, Mr. Brucker stated that most unsuccessful applicants were disappointed in not receiving the rebate and many opted to wait for the next round. He stated there are only two years remaining in the program but added that the State may require investor-owned utilities to extend their programs, which could trickle down to other utilities. He estimated approximately 88 people have already expressed interested in the 2016 program year.

Council Member Mounce stated that those who applied for the rebate in prior years, but were unsuccessful, should be moved to the front of this year's list with all new applications drawn from a lottery.

Council Member Nakanishi agreed that those on the waiting list should not have to continue to wait and suggested that the program remain the same this year and that staff bring it back next year if it wants to change it.

Mayor Pro Tempore Kuehne stated he requested this matter come back to Council because, in researching neighboring communities, Lodi's cap is higher than the three closest cities and it has a waiting list. He believed that, if the cap were reduced to \$5,000, the program would be available to more residential customers. He further agreed with Council Member Mounce that those who applied and were unsuccessful in the last few years should move to the top of this year's list.

Mayor Pro Tempore Kuehne questioned if federal solar rebates were available and when a residential or commercial customer begins to see the benefits of solar. Mr. Brucker stated there is a federal tax credit that was recently extended, but he was uncertain if the federal government offers a rebate. Mayor Pro Tempore Kuehne stated he was in favor of lowering the residential cap, leaving the commercial cap as-is, and allowing more residents to take advantage of the rebate.

Mayor Chandler questioned if citizens can still get a rebate if they installed their systems after being unsuccessful in the lottery drawing, to which Mr. Brucker responded that the rebate is not available for installed systems. Mr. Schwabauer added that this regulation is a legislative requirement; not the City's.

Mr. Brucker explained that those on the waiting list can fill a spot and be eligible for a rebate if someone drops out of the program because they could not complete their project; the rebate moves to the next person on the list. The concern about unsuccessful applicants over multiple years of a program is that it will take effort to contact all of them to ascertain their interest and many may have already installed their system.

In response to Mayor Johnson, Mr. Brucker stated that "fully subsidized" means that a utility has met its obligations under SB1 and no longer has to offer the solar rebate program. He explained that once Lodi achieves 7 megawatts of solar, it no longer has to offer the program. With regard to a "closed" program, as in the case of the City of Gridley, the utility is not currently offering a rebate, but it will reopen the program at a future time.

Stacy Schmierer questioned why the rebate program was postponed at the time open enrollment was set to begin. Mr. Schwabauer stated that staff was proceeding with the program on the assumption that the current program set-up would go forward, i.e. \$7,000 cap for residential and \$40,000 cap for commercial rebates; however, Council expressed an interest in December to review the program and the issue was brought forward at the first available opportunity. Ms. Schmierer, who works for a general contractor, stated customers have waited since October to submit applications and have expressed concern over the delay.

MOTION:

Mayor Pro Tempore Kuehne made a motion to reduce the residential cap from \$7,000 to \$5,000 and to retain the current commercial cap of \$40,000.

Council Member Johnson questioned if staff is able to recreate an adequate waiting list of unsuccessful applicants. Mr. Brucker stated it would not be a simple task as this program is eight years old with separate application periods for each year.

Following a brief discussion, Mr. Schwabauer clarified the motion as amended by Mayor Pro Tempore Kuehne: to reduce the residential cap from \$7,000 to \$5,000; to retain the commercial cap of \$40,000; and that staff contact those who lost the lottery from the year before and, if still interested, have qualifying projects automatically qualify in the following year with the remaining applications to be drawn by lottery.

SECOND:

Council Member Nakanishi seconded the amended motion.

Discussion followed regarding the need for a motion and vote versus Council direction, to which Mr. Schwabauer stated he did not have clear direction from a majority of Council.

VOTE:

AYES: Council Member Mounce*, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler

NOES: Council Member Johnson

ABSENT: None

**NOTE: Council Member Mounce abstained from the vote (per Lodi Municipal Code Section 2.04.140, her vote is recorded as a "yes" vote).*

J. Ordinances - None

K. Adjournment

There being no further business to come before the City Council, the meeting was adjourned at 7:41 p.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

TM

AGENDA TITLE: Accept Quarterly Report of Purchases between \$10,000 and \$20,000

MEETING DATE: February 17, 2016

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Accept Quarterly Report of Purchases between \$10,000 and \$20,000.

BACKGROUND INFORMATION: During the fourth calendar quarter of 2015, the following purchases were awarded. Background information for each purchase is attached as Exhibits A through I.

Exh.	Date	Contractor	Project	Award Amt.
A	10/13/15	Ray Morgan Co	Copier Purchase – Public Works	\$11,260.08
B	10/26/15	DC Frost	UV Critical Parts – White Slough	\$19,809.86
C	10/26/15	Harrington Industrial Plastic	Biosolids Day Tank Replacement – White Slough	\$18,850.61
D	10/27/15	Sanborn Chevrolet	Vehicle Purchase – Police	\$17,673.40
E	10/29/15	Sanborn Chevrolet	Vehicle Purchase - Police	\$17,673.40
F	10/29/15	Sanborn Chevrolet	Vehicle Purchase – Police	\$17,673.40
G	11/04/15	M.R.C. Global	UV Valve Replacement – White Slough	\$13,284.00
H	11/05/15	Industrial Electric Co	Fan Press Gearbox Replacement – White Slough	\$14,806.91
I	11/23/15	Sanborn Chevrolet	Vehicle Purchase – Community Development	\$19,848.65

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Varies by project. All purchases were budgeted in the 2015-2016 Financial Plan.

Jordan Ayers, Deputy City Manager

Attachments

APPROVED: _____
Stephen Schwabauer, City Manager

EXHIBIT A

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: Copier Purchase
DEPARTMENT: Administration
CONTRACTOR Ray Morgan Company
AWARD AMOUNT: \$11,260.08
DATE OF RECOMMENDATION: 10/13/15

BIDS OR PROPOSALS RECEIVED:
Ray Morgan Company \$11,260.08

“NO BID” or NO RESPONSE RECEIVED:

BACKGROUND INFORMATION & BASIS FOR AWARD:
Purchase of new Canon imageRUNNER C5240A for Administration at Municipal Utility Services to replace aging copier that requires continuous maintenance.

Pursuant to Lodi Municipal Code 3.20.045, this contract can be awarded to Ray Morgan Company in accordance with Shasta Union High School District Contract No. RFPSUHSD 477-2013 which was publicly awarded in accordance with their formally adopted bidding procedures. As such, no bidding quotes are necessary.

FUNDING: 56052001.77030
53053001.77030

Prepared by: Tiffani Butorovich
Title: Administrative Secretary

EXHIBIT B

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: UV Critical Parts
DEPARTMENT: PW
CONTRACTOR DC Frost
AWARD AMOUNT: \$19,809.86
DATE OF RECOMMENDATION: October 26, 2015

BIDS OR PROPOSALS RECEIVED:

sole source purchase
DC Frost \$19,809.86

“NO BID” or NO RESPONSE RECEIVED:

BACKGROUND INFORMATION & BASIS FOR AWARD:

This is a sole source project. The parts are needed for routine and annual maintenance. Monies have been allocated for \$225,000 for fiscal year 2015-2016. This purchase is to address the immediate needs of the UV until White Slough can get the first large purchase of \$70-80,000 approved by council which will be November 18th.

FUNDING: 53053003.77030

Prepared by: Karen D. Honer

Title: Wastewater Plant Superintendent

Reviewed by: _____

EXHIBIT C

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: Biosolids Day Tank Replacement
DEPARTMENT: Public Works
CONTRACTOR Harrington Industrial Plastic
AWARD AMOUNT: \$18,850.61
DATE OF RECOMMENDATION: 10/26/15

BIDS OR PROPOSALS RECEIVED:

Harrington Industrial Plastic	\$18,850.61
Snyder Industrial Inc	\$23,982.02

“NO BID” or NO RESPONSE RECEIVED:
Pro Tank

BACKGROUND INFORMATION & BASIS FOR AWARD:

Existing Day Tank was damaged when mixing propeller sliced through the side. Temporary repairs have been made.

Maintenance staff recommend replacement to avoid a failure

FUNDING: 53053003.77030

Prepared by: Karen Honer

Title: Waste Water Plant Superintendent

Reviewed by: _____

Purchase Order No.

EXHIBIT D

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: Detectives Vehicle Purchase
DEPARTMENT: Police Department
CONTRACTOR Sanborn Chevrolet
AWARD AMOUNT: \$17,673.40
DATE OF RECOMMENDATION: 10/27/2015

BIDS OR PROPOSALS RECEIVED:

Sanborn	\$17,673.40
Honda of Hayward	\$18,339.48
Stockton Honda	\$19,434.60

"NO BID" or NO RESPONSE RECEIVED:

BACKGROUND INFORMATION & BASIS FOR AWARD:

Staff reviewed three comparable vehicles and found the 2015 Hyundai Sonata from Sanborn Chevrolet to be the best overall value. Vehicle has been inspected by MSC and no issues were found. After a thorough review of the Exception to Bid Procedure, the department believes it is in the City's best interest to purchase a pre-owned 2015 Hyundai Sonata from Sanborn Chevrolet. This vehicle will replace vehicle #05-077.

FUNDING: 40399100.77040

Prepared by: Paula O'Keefe _____

Title: Management Analyst _____

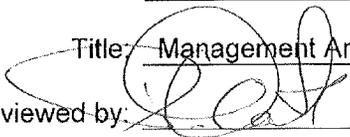
Reviewed by:  _____

EXHIBIT E

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: Detectives Vehicle Purchase
DEPARTMENT: Police Department
CONTRACTOR Sanborn Chevrolet
AWARD AMOUNT: \$17,673.40
DATE OF RECOMMENDATION: 10/29/2015

BIDS OR PROPOSALS RECEIVED:

Sanborn	\$17,673.40
Honda of Hayward	\$18,339.48
Stockton Honda	\$19,434.60

"NO BID" or NO RESPONSE RECEIVED:

BACKGROUND INFORMATION & BASIS FOR AWARD:

Staff reviewed three comparable vehicles and found the 2015 Hyundai Sonata from Sanborn Chevrolet to be the best overall value. Vehicle has been inspected by MSC and no issues were found. After a thorough review of the Exception to Bid Procedure, the department believes it is in the City's best interest to purchase a pre-owned 2015 Hyundai Sonata from Sanborn Chevrolet. This vehicle will replace vehicle #05-085.

FUNDING: 40399100.77040

Prepared by: Paula O'Keefe _____

Title: Management Analyst _____

Reviewed by:  _____

EXHIBIT F

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: Detectives Vehicle Purchase
DEPARTMENT: Police Department
CONTRACTOR Sanborn Chevrolet
AWARD AMOUNT: \$17,673.40
DATE OF RECOMMENDATION: 10/29/2015

BIDS OR PROPOSALS RECEIVED:

Sanborn	\$17,673.40
Honda of Hayward	\$18,339.48
Stockton Honda	\$19,434.60

"NO BID" or NO RESPONSE RECEIVED:

BACKGROUND INFORMATION & BASIS FOR AWARD:

Staff reviewed three comparable vehicles and found the 2015 Hyundai Sonata from Sanborn Chevrolet to be the best overall value. Vehicle has been inspected by MSC and no issues were found. After a thorough review of the Exception to Bid Procedure, the department believes it is in the City's best interest to purchase a pre-owned 2015 Hyundai Sonata from Sanborn Chevrolet. This vehicle will replace vehicle #05-091.

FUNDING: 40399100.77040

Prepared by: Paula O'Keefe _____

Title: Management Analyst _____

Reviewed by: _____

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: UV VALVE REPLACEMENT
DEPARTMENT: Public Works
CONTRACTOR M.R.C. GLOBAL
AWARD AMOUNT: \$13,284.00
DATE OF RECOMMENDATION: 11/04/2015

BIDS OR PROPOSALS RECEIVED:
M.R.C. GLOBAL \$13,284.00
FOSTER FLOW CONTROL \$13,929.84

“NO BID” or NO RESPONSE RECEIVED:
FRANK A OLSEN

BACKGROUND INFORMATION & BASIS FOR AWARD:

The motorized operating valve being replaces controls the effluent weir gate of Channel 2 of the UV system. UV is critical in the disinfection of the treated wastewater and without proper control of the channel; the cannal cannot be used.

An additional motorized valve is being ordered so that White Slough can have it available in case of another failure. The manufacturer maintains an 8-10 week lead time once a PO is received. In the summer, when white Slough is not discharging to the river; that long lead time can be manageable because the state limitations are lighter than the limitations discharging to the river. The state imposes tighter restrictions on the river discharges and the long lead time present problematic operational and maintenance challenges to maintain properly treated effluent.

FUNDING: 53053003.72531

Prepared by: Kelly Powers

Title: W/WW

Reviewed by: _____

Purchase Order No.

EXHIBIT H

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: FAN PRESS GEARBOX REPLACEMENT
DEPARTMENT: W/WW
CONTRACTOR INDUSTRIAL ELECTRIC CO
AWARD AMOUNT: \$14,806.91
DATE OF RECOMMENDATION: 11/05/15

BIDS OR PROPOSALS RECEIVED:

INDUSTRIAL ELECTRIC CO	\$14,806.91
MOTION INDUSTRIES	\$15,154.41
KAMAN INDUSTRIAL TECHNOLOGIES	\$18,290.04

"NO BID" or NO RESPONSE RECEIVED:

BACKGROUND INFORMATION & BASIS FOR AWARD:
EXISTING GEAR BOXES ARE IN NEED OF REPAIR. MAINTENANCE STAFF
RECOMMENDS REPLACEMENT OF GEAR BOXES TO MAINTAIN OPERATION OF THE
FAN PRESS.

FUNDING: 53053003.72531

Prepared by: KELLY POWERS

Title: WWW SUPERVISOR

Reviewed by: _____

Purchase Order No.

EXHIBIT I

RECOMMENDATION FOR CONTRACT AWARD

PROJECT NAME: 2011 Chrysler Town & Country Van
DEPARTMENT: Community Development
CONTRACTOR Sanborn Chevrolet Inc.
AWARD AMOUNT: \$19,848.65
DATE OF RECOMMENDATION: 11/23/15

BIDS OR PROPOSALS RECEIVED:

Abel Chevrotel Pontiac Buick - 70,491 miles	15,998
Stockton Dodge Chrysler Jeep - 2012 - 59,387 miles	17,999
Elk Grove Ford - 2012 - 48,489 miles	18,988

***NOTE: All bids above are from Autotrader comps and do not reflect the additional fees and licencing

"NO BID" or NO RESPONSE RECEIVED:
NA

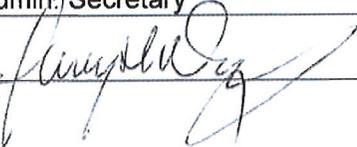
BACKGROUND INFORMATION & BASIS FOR AWARD:

The LodiGRIP Program is in need of a vehicle to transport several passengers at once and a van makes to most since.

FUNDING: 40699100.77040

Prepared by: Kari Chadwick 

Title: Admin Secretary

Reviewed by: 



CITY OF LODI COUNCIL COMMUNICATION

TM

AGENDA TITLE: Accept the Quarterly Investment Report as Required by the City of Lodi Investment Policy

MEETING DATE: February 17, 2016

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Accept the quarterly investment report as required by the City of Lodi Investment Policy.

BACKGROUND INFORMATION: Government Code Section 53646 has been amended to no longer mandate this report on investments to the legislative body of the local agency. Nevertheless, it is encouraged, and the report is attached for City Council review.

The total of all invested funds as of the quarter ending December 31, 2015 is \$85,129,425.77.
The average annualized return on all invested funds over the quarter is -0.22%.

The total earnings on all invested funds for FY 2015-16 are \$117,209.64
The average annualized return on all invested funds for FY 2015-16 is 0.24%.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: As per attached report.

Jordan Ayers
Treasurer

Attachment

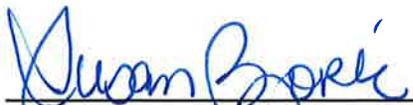
APPROVED: _____
Stephen Schwabauer, City Manager



**CITY OF LODI
INTERNAL SERVICES DEPARTMENT
BUDGET DIVISION**

December 31, 2015 Investment Statement

Investment:	Earnings for Qtr Ending 12/31/15:	Ending Balance:
Local Agency Investment Funds*		
37.6% of portfolio	0.38% interest earnings	31,993,110.86
	Subtotal LAIF	31,993,110.86
CalTRUST Investment Trust of California		
51.3% of portfolio		
Short-Term Account	-0.04% interest earnings	12,113,342.75
Medium-Term Account	-1.08% interest earnings	31,561,173.80
	Subtotal CalTRUST	43,674,516.55
Certificates of Deposit		
1.1% of portfolio		
Bank of Ag. & Comm (matures 3/8/16)	0.25% interest earnings	250,000.00
Central Valley Comm (matures 6/18/16)	0.20% interest earnings	250,000.00
F&M Bank (matures 11/04/16)	0.60% interest earnings	250,000.00
Umpqua Bank (matures 10/21/16)	0.40% interest earnings	250,000.00
	Subtotal CDs	1,000,000.00
Passbook/Checking Accounts		
10% of portfolio		
Farmers & Merchants **	demand acct	1,558,321.99
Farmers & Merchants - Money Market	0.35% interest earnings	3,652,941.98
Farmers & Merchants - Payroll	demand acct	21,991.53
Farmers & Merchants - CP Money Market	0.35% interest earnings	3,228,542.86
	Subtotal P/C Accts	8,461,798.36
	TOTAL	85,129,425.77



 Susan Bjork
 Supervising Budget Analyst



 Date

* In accordance with the terms of the Local Agency Investment Fund, invested funds may be utilized on the same day if the transaction is initiated before 10:00 a.m.

** This account carries a compensating balance required to obtain an earnings credit to offset service charges.



CITY OF LODI COUNCIL COMMUNICATION

TM

AGENDA TITLE: Accept Donation of Kiwanis Picnic Shelter at Lodi Lake Park from Kiwanis Club of Greater Lodi

MEETING DATE: February 17, 2016

PREPARED BY: Parks, Recreation and Cultural Services Director

RECOMMENDED ACTION: Accept donation of Kiwanis Picnic Shelter at Lodi Lake Park from Kiwanis Club of Greater Lodi.

BACKGROUND INFORMATION: The Kiwanis Club of Great Lodi notified Parks, Recreation and Cultural Services about three years ago about its long-term goal of constructing a shade structure over the picnic site known as the Kiwanis Area, on the south side of Lodi Lake Park.

On January 5, the Kiwanis notified Parks, Recreation and Cultural Services staff that it had raised the funds needed to construct a steel picnic shade structure measuring approximately 20 feet by 60 feet and presented a conceptual drawing. The shelter will have a look and feel similar to other structures on the south side of the Lake, including the Dauber Dock, Boat House and gazebo at the west end of the beach, and the Kiwanis will use it to support their annual Fourth of July pancake breakfast. Staff provided comments regarding the design, and the Kiwanis are prepared to seek final plans and specifications from the vendor once it receives approval for the project. A conceptual drawing is attached.

Staff supports accepting the Kiwanis donation. Other than the gazebo, which is within an admission fee area, the south side of the Lake does not have a picnic shelter, and the limited resources the Parks, Recreation and Cultural Services Department has is being focused on emergency repairs and maintenance. The shelter would be available to Parks, Recreation and Cultural Services to rent at other times of the year.

The Recreation Commission considered the donation at its February 2, 2016, meeting and unanimously voted to recommend the Council's acceptance.

FISCAL IMPACT: Accepting the donation will make the existing picnic area more desirable as a rental facility, and provides Parks, Recreation and Cultural Services with an amenity it cannot otherwise afford.

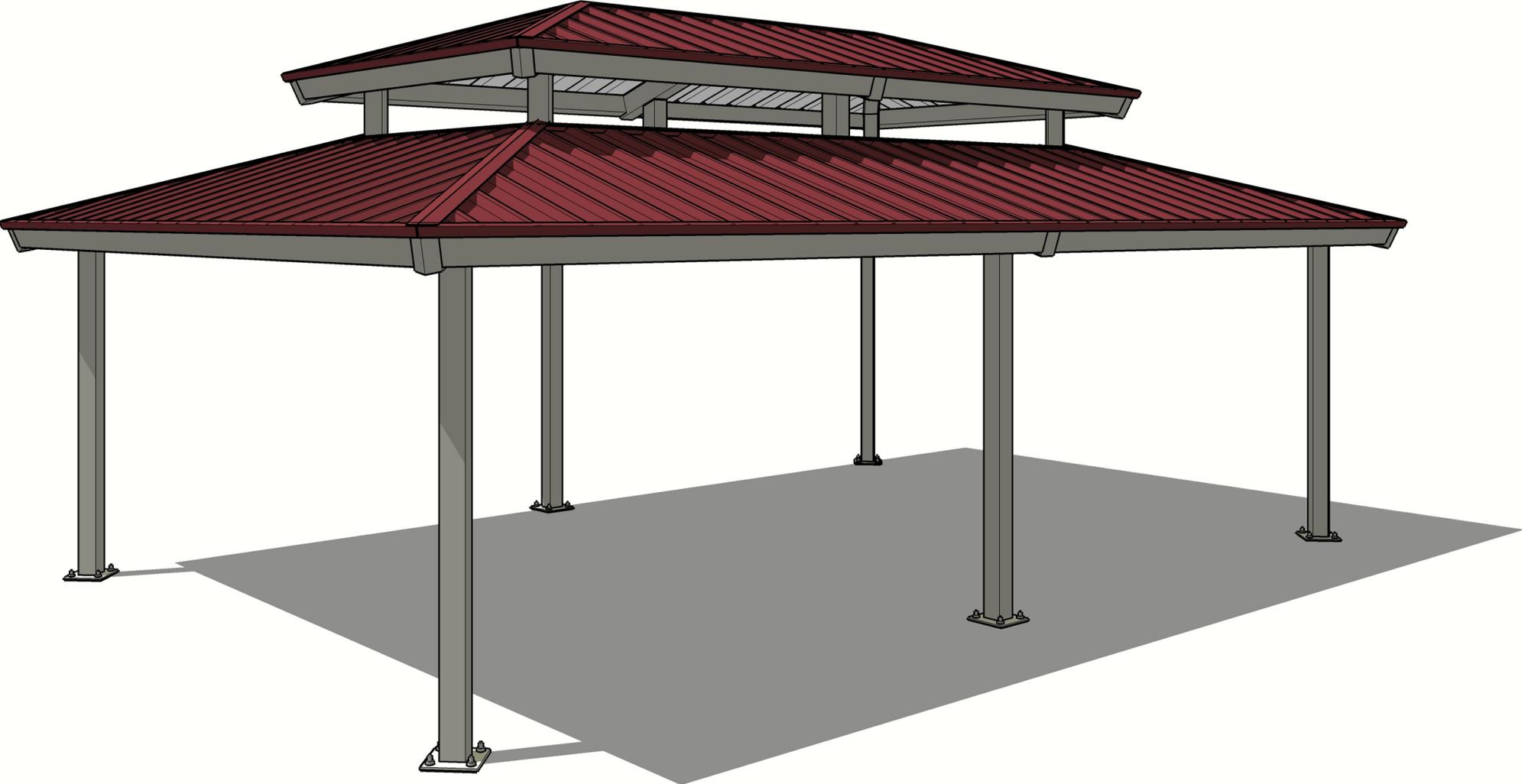
FUNDING AVAILABLE: Not applicable.

Jeff Hood
Parks, Recreation and Cultural Services Director

JH:tl

cc: City Attorney

APPROVED: _____
Stephen Schwabauer, City Manager





CITY OF LODI COUNCIL COMMUNICATION

TM

AGENDA TITLE: Adopt Resolution Awarding Contract for 2016 Pavement Crack Sealing, West Lodi Avenue, to Telfer Pavement Technology, LLC, of McClellan (\$42,891)

MEETING DATE: February 17, 2016

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt resolution awarding contract for 2016 Pavement Crack Sealing, West Lodi Avenue, to Telfer Pavement Technology, LLC, of McClellan, in the amount of \$42,891.

BACKGROUND INFORMATION: This project consists of crack sealing approximately 580,000 square feet of West Lodi Avenue, from Lower Sacramento Road to the Union Pacific Railroad. The primary cause of asphalt failure is water infiltration into the street subgrade. Crack sealing is one of the most basic and important preventive street maintenance practices. This contract is intended to supplement work performed by Street Division crews to maximize the street area sealed each year.

Plans and specifications for this project were approved on January 6, 2016. The City received the following six bids for this project on January 27, 2016.

Bidder	Location	Bid
Engineer's Estimate		\$ 40,572.70
Telfer Pavement Technologies	McClellan	\$ 42,891.14
Bond Blacktop	Union City	\$ 56,801.78
Graham Contractors	San Jose	\$ 60,859.05
United Pavement Maintenance	San Jose	\$ 63,135.00
VSS International	West Sacramento	\$ 69,553.20
Sunrise Grading & Paving	Brentwood	\$168,086.90

FISCAL IMPACT: The City's crack sealing effort extends the useful life of the City streets.

FUNDING AVAILABLE: Budgeted Fiscal Year 2015/16 Measure K (30399000.77020) - \$50,000

Jordan Ayers
Deputy City Manager/Internal Services Director

Charles E. Swimley, Jr.
Interim Public Works Director

Prepared by Sean Nathan, Associate Civil Engineer
CES/SN/tdb
Attachment
cc: Utility Manager

APPROVED: _____
Stephen Schwabauer, City Manager

CITY OF LODI, CALIFORNIA

THIS CONTRACT made by and between the CITY OF LODI, State of California, herein referred to as the "City," and TELFER PAVEMENT TECHNOLOGIES, LLC, herein referred to as the "Contractor."

WITNESSETH:

That the parties hereto have mutually covenanted and agreed, and by these presents do covenant and agree with each other, as follows:

The complete Contract consists of the following documents which are incorporated herein by this reference, to-wit:

Notice Inviting Bids	The July 1992 Edition,
Information to Bidders	Standard Specifications,
General Provisions	State of California,
Special Provisions	Business and Transportation Agency,
Bid Proposal	Department of Transportation
Contract	
Contract Bonds	
Plans	

All of the above documents, sometimes hereinafter referred to as the "Contract Documents," are intended to cooperate so that any work called for in one and not mentioned in the other is to be executed the same as if mentioned in all said documents.

ARTICLE I - That for and in consideration of the payments and agreements hereinafter mentioned, to be made and performed by the City and under the condition expressed in the two bonds bearing even date with these presents and hereunto annexed, the Contractor agrees with the City, at Contractor's cost and expense, to do all the work and furnish all the materials except such as are mentioned in the specifications to be furnished by the City, necessary to construct and complete in a good workmanlike and substantial manner and to the satisfaction of the City the proposed improvements as shown and described in the Contract Documents which are hereby made a part of the Contract.

ARTICLE II - The City hereby promises and agrees with the Contractor to employ, and does hereby employ, the Contractor to provide all materials and services not supplied by the City and to do the work according to the terms and conditions for the price herein, and hereby contracts to pay the same as set forth in Section 5.600, "Measurement, Acceptance and Payment," of the General Provisions, in the manner and upon the conditions above set forth; and the said parties for themselves, their heirs, executors, administrators, successors and assigns, do hereby agree to the full performance of the covenants herein contained.

ARTICLE III - The Contractor agrees to conform to the provisions of Chapter 1, Part 7, Division 2 of the Labor Code. The Contractor and any Subcontractor will pay the general prevailing

wage rate and other employer payments for health and welfare, pension, vacation, travel time, and subsistence pay, apprenticeship or other training programs. The responsibility for compliance with these Labor Code requirements is on the prime contractor.

ARTICLE IV - And the Contractor agrees to receive and accept the following prices as full compensation for furnishing all materials and for doing all the work contemplated and embraced in this agreement; also for all loss or damage arising out of the nature of the work aforesaid or from the action of the elements, or from any unforeseen difficulties or obstructions which may arise or be encountered in the prosecution of the work until its acceptance by the City, and for all risks of every description connected with the work; also for all expenses incurred by or in consequence of the suspension or discontinuance of work and for well and faithfully completing the work, and the whole thereof, in the manner and according to the Plans and Contract Documents and the requirements of the Engineer under them, to-wit:

Perform the work necessary for thoroughly cleaning and sealing the existing transverse and longitudinal cracks and joints and random cracks in bituminous pavement surfaces and includes other incidental and related work as described in the specifications.

See Section 6-07 "Description of Bid Items" and Exhibits A and B for additional information.

CONTRACT ITEMS

Bid Item No.	Street Name	Approximate Street Area (SF)	Price per Square Foot	Total Cost Per Street
1	Crack Sealing and Preparation - Lodi Avenue	579,610	\$0.074	\$42,891.14

TOTAL : \$ 42,891.14

ARTICLE V - By my signature hereunder, as Contractor, I certify that I am aware of the provisions of Section 3700 of the Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

ARTICLE VI - It is further expressly agreed by and between the parties hereto that, should there be any conflict between the terms of this instrument and the Bid Proposal of the Contractor, then this instrument shall control and nothing herein shall be considered as an acceptance of the said terms of said proposal conflicting herewith.

ARTICLE VII - The City is to furnish the necessary rights-of-way and easements and to establish lines and grades for the work as specified under the Special Provisions. All labor or materials not mentioned specifically as being done by the City will be supplied by the Contractor to accomplish the work as outlined in the specifications.

ARTICLE VIII - The Contractor agrees to commence work pursuant to this contract within 15 calendar days after the City Manager has executed the contract and to diligently prosecute to completion within **30 CALENDAR DAYS**.

ARTICLE IX - State of California Senate Bill 854 requires the following:

- No contractor or subcontractor may be listed on a bid proposal for a public works project unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].
- No contractor or subcontractor may be awarded a contract for public work on a public works project unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5.
- This project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

WHEN SIGNING THIS CONTRACT, THE CONTRACTOR AGREES THAT THE TIME OF COMPLETION FOR THIS CONTRACT IS REASONABLE AND THE CONTRACTOR AGREES TO PAY THE CITY LIQUIDATED DAMAGES AS SET FORTH IN SECTION 6-04.03 OF THE SPECIAL PROVISIONS. CONTRACTOR AGREES THAT THIS AMOUNT MAY BE DEDUCTED FROM THE AMOUNT DUE THE CONTRACTOR UNDER THE CONTRACT.

IN WITNESS WHEREOF, the parties to these presents have hereunto set their hands the year and date written below.

CONTRACTOR:

CITY OF LODI, a municipal corporation

By: _____
STEPHEN SCHWABAUER
City Manager

By: _____

Date: _____

Title

Attest:

JENNIFER M. FERRAILOLO
City Clerk

(CORPORATE SEAL)

Approved As To Form:



JANICE D. MAGDICH
City Attorney

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL
AWARDING THE CONTRACT FOR 2016 PAVEMENT
CRACK SEALING, WEST LODI AVENUE, TO
TELFER PAVEMENT TECHNOLOGIES, LLC,
OF MCCLELLAN

WHEREAS, in answer to notice duly published in accordance with law and the order of this City Council, sealed proposals were received and publicly opened on January 27, 2016, at 11:00 a.m., for 2016 Pavement Crack Sealing, West Lodi Avenue, as described in the plans and specifications therefore approved by the City Council on January 6, 2016; and

WHEREAS, said bids have been checked and tabulated and a report thereof filed with the City Manager as follows:

Bidder	Bid
Telfer Pavement Technologies	\$ 42,891.14
Bond Blacktop	\$ 56,801.78
Graham Contractors	\$ 60,859.05
United Pavement Maintenance	\$ 63,135.00
VSS International	\$ 69,553.20
Sunrise Grading & Paving	\$ 168,086.90

WHEREAS, staff recommends awarding the contract to the low bidder, Telfer Pavement Technologies, LLC, of McClellan, in the amount of \$42,891.14.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby award the contract for 2016 Pavement Crack Sealing, West Lodi Avenue, to the low bidder, Telfer Pavement Technologies, LLC, of McClellan, California, in the amount of \$42,891; and

BE IT FURTHER RESOLVED that the City Manager is hereby authorized to execute the contract on behalf of the City of Lodi.

Dated: February 17, 2016

I hereby certify that Resolution No. 2016-_____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

TM

AGENDA TITLE: Adopt Resolution Awarding Contract for Central Plume – Mid Plume PCE/TCE Groundwater Treatment Project, to Water Rock Construction Corporation, of Alameda (\$445,000)

MEETING DATE: February 17, 2016

PREPARED BY: Interim Public Works Director

RECOMMENDED ACTION: Adopt resolution awarding contract for Central Plume – Mid Plume PCE/TCE Groundwater Treatment Project, to Water Rock Construction Corporation, of Alameda, in the amount of \$445,000.

BACKGROUND INFORMATION: The Central Plume is one of four areas within the City contaminated with tetrachloroethene (PCE) and/or trichloroethylene (TCE). The chemicals were prominently used in the dry cleaning and printing industries. The City negotiated settlements with various parties and initiated a remediation program under direction of the State of California. This project is part of the remediation program.

The Central TCE/PCE Plume is bound by Pine Street to the north, Stockton Street to the east, Pleasant Avenue to the west, and Park Street to the south. Reports prepared by Treadwell & Rollo, the City's PCE/TCE consultant, indicate that the PCE plume has migrated southerly toward the intersection of Church Street and Tokay Street.

This project (Exhibit A) is intended to capture and contain the southerly plume migration, and consists of a groundwater extraction well, granular activated carbon (GAC) treatment unit, a metal enclosure, electrical and site work, and other incidental related work, all as shown on the plans and specifications for the project. The Central Regional Water Quality Control Board has reviewed and concurs with the proposed work plan and construction documents.

Staff has worked closely with Lodi Unified School District on this project. To minimize the impact to Needham School, the GAC treatment unit will be constructed in a steel enclosure placed entirely inside the public right-of-way. The project also includes an element of drought resistant landscaping to soften the enclosure's appearance.

Plans and specifications for this project were approved on December 16, 2015. The City received the following three bids for this project on January 21, 2016.

Bidder	Location	Bid
Engineer's Estimate		\$342,666.00
Water Rock Construction Corporation	Alameda	\$445,000.00
Conco-West Incorporated	Manteca	\$490,018.00
Diede Construction	Woodbridge	\$500,913.00

APPROVED: _____
Stephen Schwabauer, City Manager

All funding will come from previous legal settlements with responsible parties and not ratepayer dollars. The contractor has acknowledged the local hire and apprenticeship ordinance for the subject project. The project cost is estimated to be \$556,000, which includes the contract amount, construction engineering and inspection, and construction contingencies.

FISCAL IMPACT: There will be minor, on-going operations costs associated with the maintenance and operation of this facility.

FUNDING AVAILABLE: Central Plume Settlement Funds (590) Fiscal Year 2015/16: \$556,000

Jordan Ayers
Deputy City Manager/Internal Services Director

Charles E. Swimley, Jr.
Interim Public Works Director

Prepared by Lyman Chang, Interim City Engineer
CES/LC/tdb
Attachment

cc: City Attorney
Purchasing Officer
Management Analyst Areida-Yadav
Utility Manager
Water Rock Construction Corporation

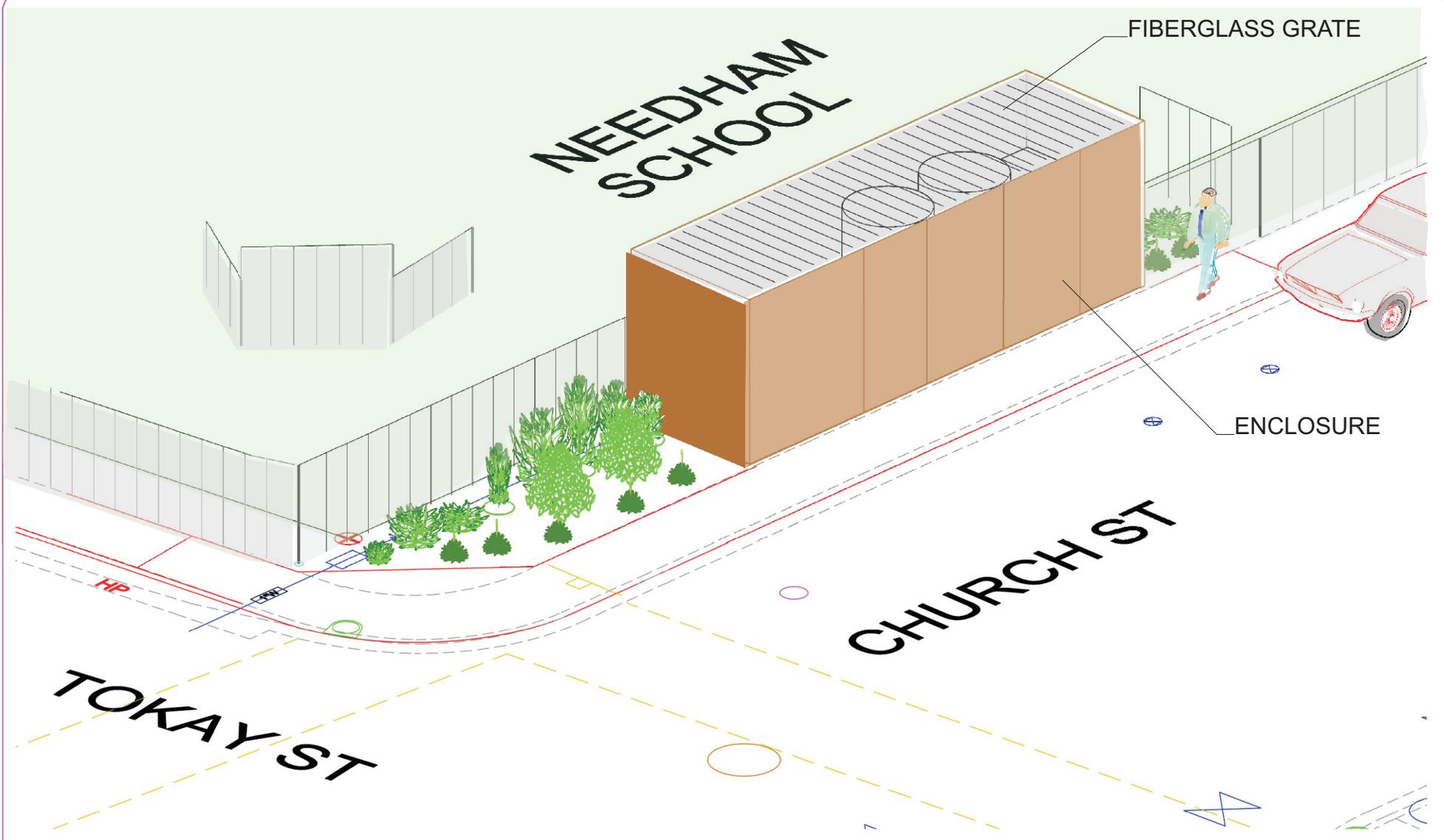
NEEDHAM SCHOOL

FIBERGLASS GRATE

ENCLOSURE

CHURCH ST

TOKAY ST



NO.	DATE	BY	DRAWN	MC/LC	DESIGN	LC	SCALE	1" = 5'	JOB NUMBER
			CHECKED		DATE		APPROVED		
			RECORD DWG				DEPUTY PUBLIC WORKS DIRECTOR RCE NO. 52842	DATE	



CITY OF LODI
PUBLIC WORKS DEPARTMENT

Central Plume (Mid Plume) Extraction Well
531 S Church Street

Exhibit A

CITY OF LODI, CALIFORNIA

THIS CONTRACT made by and between the CITY OF LODI, State of California, herein referred to as the "City," and WATER ROCK CONSTRUCTION CORPORATION, herein referred to as the "Contractor."

WITNESSETH:

That the parties hereto have mutually covenanted and agreed, and by these presents do covenant and agree with each other, as follows:

The complete Contract consists of the following documents which are incorporated herein by this reference, to-wit:

Notice Inviting Bids	The July 1992 Edition,
Information to Bidders	Standard Specifications,
General Provisions	State of California,
Special Provisions	Business and Transportation Agency,
Bid Proposal	Department of Transportation
Contract	
Contract Bonds	
Plans	

All of the above documents, sometimes hereinafter referred to as the "Contract Documents," are intended to cooperate so that any work called for in one and not mentioned in the other is to be executed the same as if mentioned in all said documents.

ARTICLE I - That for and in consideration of the payments and agreements hereinafter mentioned, to be made and performed by the City and under the condition expressed in the two bonds bearing even date with these presents and hereunto annexed, the Contractor agrees with the City, at Contractor's cost and expense, to do all the work and furnish all the materials except such as are mentioned in the specifications to be furnished by the City, necessary to construct and complete in a good workmanlike and substantial manner and to the satisfaction of the City the proposed improvements as shown and described in the Contract Documents which are hereby made a part of the Contract.

ARTICLE II - The City hereby promises and agrees with the Contractor to employ, and does hereby employ, the Contractor to provide all materials and services not supplied by the City and to do the work according to the terms and conditions for the price herein, and hereby contracts to pay the same as set forth in Section 5.600, "Measurement, Acceptance and Payment," of the General Provisions, in the manner and upon the conditions above set forth; and the said parties for themselves, their heirs, executors, administrators, successors and assigns, do hereby agree to the full performance of the covenants herein contained.

ARTICLE III - The Contractor agrees to conform to the provisions of Chapter 1, Part 7, Division 2 of the Labor Code. The Contractor and any Subcontractor will pay the

general prevailing wage rate and other employer payments for health and welfare, pension, vacation, travel time, and subsistence pay, apprenticeship or other training programs. The responsibility for compliance with these Labor Code requirements is on the prime contractor.

ARTICLE IV - And the Contractor agrees to receive and accept the following prices as full compensation for furnishing all materials and for doing all the work contemplated and embraced in this agreement; also for all loss or damage arising out of the nature of the work aforesaid or from the action of the elements, or from any unforeseen difficulties or obstructions which may arise or be encountered in the prosecution of the work until its acceptance by the City, and for all risks of every description connected with the work; also for all expenses incurred by or in consequence of the suspension or discontinuance of work and for well and faithfully completing the work, and the whole thereof, in the manner and according to the Plans and Contract Documents and the requirements of the Engineer under them, to-wit:

Perform the work necessary to install a TCE/PCE groundwater extraction and treatment system complete with a groundwater extraction well and granular activated carbon treatment unit, a metal enclosure, electrical and site work, and other incidental and related work, all as shown on the plans and specifications for "Central Plume – Mid Plume PCE/TCE Groundwater Treatment Project".

CONTRACT ITEMS

ITEM NO.	DESCRIPTION	UNIT	EST'D. QTY	UNIT PRICE	TOTAL PRICE
1.	Mobilization / Demobilization	LS	1	\$40,000	\$40,000
2.	Traffic Control	LS	1	\$20,000	\$20,000
3.	Water Pollution Control	LS	1	\$5,000	\$5,000
4.	Clearing & Grubbing	LS	1	\$4,000	\$4,000
5.	Groundwater Extraction Well	LS	1	\$82,550	\$82,550
6.	Granular Activated Carbon System	LS	1	\$40,000	\$40,000

7.	Electrical Service	LS	1	\$26,650	\$26,650
8.	On-Site Electrical and Control Equipment	LS	1	\$78,650	\$78,650
9.	Treatment Unit Enclosure	LS	1	\$72,000	\$72,000
10.	Concrete Sidewalk / Wheelchair Ramp	SF	432	\$18	\$7,776
11.	Concrete Curb & Gutter	LF	80	\$40	\$3,200
12.	Street Sign Post	EA	1	\$224	\$224
13.	Side Inlet Catch Basin	EA	1	\$2,500	\$2,500
14.	1-Inch Water Service	EA	1	\$12,500	\$12,500
15.	4-Inch Wastewater Service	EA	1	\$8,300	\$8,300
16.	Pavement Repair	SF	610	\$10	\$6,100
17.	Chain Link Fence	LF	26	\$175	\$4,550
18.	Landscaping	LS	1	\$10,000	\$10,000
19.	Granular Activated Carbon	POUND	4,000	\$1.75	\$7,000
20.	Equipment Startup and Testing	LS	1	\$5,000	\$5,000
21.	Traffic Striping	LS	1	\$3,000	\$3,000
22.	Dispose Hazardous Waste	TON	10	\$350	3,500

23. Dispose Designated Waste	TON	10	\$250	\$2,500
			TOTAL	\$445,000

ARTICLE V - By my signature hereunder, as Contractor, I certify that I am aware of the provisions of Section 3700 of the Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

ARTICLE VI - It is further expressly agreed by and between the parties hereto that, should there be any conflict between the terms of this instrument and the Bid Proposal of the Contractor, then this instrument shall control and nothing herein shall be considered as an acceptance of the said terms of said proposal conflicting herewith.

ARTICLE VII - The City is to furnish the necessary rights-of-way and easements and to establish lines and grades for the work as specified under the Special Provisions. All labor or materials not mentioned specifically as being done by the City will be supplied by the Contractor to accomplish the work as outlined in the specifications.

ARTICLE VIII - The Contractor agrees to commence work pursuant to this contract within 15 calendar days after the City Manager has executed the contract and to diligently prosecute to completion within **90 CALENDAR DAYS**.

ARTICLE IX - State of California Senate Bill 854 requires the following:

- No contractor or subcontractor may be listed on a bid proposal for a public works project unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].
- No contractor or subcontractor may be awarded a contract for public work on a public works project unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5.
- This project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

WHEN SIGNING THIS CONTRACT, THE CONTRACTOR AGREES THAT THE TIME OF COMPLETION FOR THIS CONTRACT IS REASONABLE AND THE CONTRACTOR AGREES TO PAY THE CITY LIQUIDATED DAMAGES AS SET FORTH IN SECTION 6-04.03 OF THE SPECIAL PROVISIONS. CONTRACTOR AGREES THAT THIS AMOUNT MAY BE DEDUCTED FROM THE AMOUNT DUE THE CONTRACTOR UNDER THE CONTRACT.

IN WITNESS WHEREOF, the parties to these presents have hereunto set their hands the year and date written below.

CONTRACTOR: CITY OF LODI, a municipal corporation

By: _____
STEPHEN SCHWABAUER
City Manager

By: _____

Date: _____

Title

Attest:

JENNIFER M. FERRAILOLO
City Clerk

(CORPORATE SEAL)

Approved As To Form:

JANICE D. MAGDICH
City Attorney



RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL AWARDING THE CONTRACT FOR THE CENTRAL PLUME – MID PLUME PCE/TCE GROUNDWATER TREATMENT PROJECT TO WATER ROCK CONSTRUCTION CORPORATION, OF ALAMEDA

WHEREAS, in answer to notice duly published in accordance with law and the order of this City Council, sealed bids were received and publicly opened on January 21, 2016, at 11:00 a.m., for the Central Plume – Mid Plume PCE/TCE Groundwater Treatment Project, described in the plans and specifications therefore approved by the City Council on December 16, 2015; and

WHEREAS, said bid have been checked and tabulated and a report thereof filed with the City Manager as follows:

Bidder	Bid
Water Rock Construction Corporation	\$445,000
Conco-West, Incorporated	\$490,018
Diede Construction	\$500,913

WHEREAS, staff recommends that the City Council award the contract for Central Plume – Mid Plume PCE/TCE Groundwater Treatment Project to Water Rock Construction Corporation, of Alameda, in the amount of \$445,000; and

WHEREAS, the total project costs are estimated at \$556,000, which includes contract amount, construction engineering and inspection, and construction contingencies.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby award the contract for Central Plume – Mid Plume PCE/TCE Groundwater Treatment Project to Water Rock Construction Corporation, of Alameda, California, in the amount of \$445,000; and

BE IT FURTHER RESOLVED that the City Manager is hereby authorized to execute the contract on behalf of the City of Lodi.

Dated: February 17, 2016

I hereby certify that Resolution No. 2016-_____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

TM

AGENDA TITLE: Adopt Resolution Authorizing City Manager to Execute Task Order No. 39 with West Yost Associates, of Davis, for Engineering Design and Construction Management Services for White Slough Water Pollution Control Facility Improvements (\$469,300)

MEETING DATE: February 17, 2016

PREPARED BY: Interim Public Works Director

RECOMMENDED ACTION: Adopt resolution authorizing City Manager to execute Task Order No. 39 with West Yost Associates, of Davis, for engineering design and construction management services for White Slough Water Pollution Control Facility improvements, in the amount of \$469,300.

BACKGROUND INFORMATION: On September 2, 2015, Council authorized staff to solicit statements of qualifications for engineering services to plan and design several needed improvements at White Slough Water Pollution Control Facility (WSWPCF). The improvements include corrosion repairs to exposed concrete process channels, installation of a coarse screen and septage receiving station, replacing the existing south electrical building, and upgrading the existing supervisory control and data acquisition (SCADA) system; and other instrumentation and electrical related upgrades needed to bring this 50-year-old facility up to current standards.

Staff received statements of qualifications from two prominent consulting firms, West Yost Associates (WYA), and Carollo Engineers. On November 20, 2015, staff interviewed both firms as part of the professional services selection process. While both firms performed well, WYA demonstrated substantially more knowledge of the WSWPCF infrastructure, the wastewater treatment and land application processes, and the discharge permit requirements. For this reason, staff proceeded with negotiating a scope and fee with WYA to perform the engineering services associated with the initial phase of work on this overall improvement project.

Staff is recommending the scope of work to be broken into two phases since the estimated cost of the improvements referenced above is approximately \$13 million. These costs are programmed and funding is available over Fiscal Year 2015/16, Fiscal Year 2016/17, and Fiscal Year 2017/18, in accordance with the City's wastewater rate model projections. The initial phase is estimated to cost \$1.75 million and includes the engineering and construction management services requested in this Council action and the necessary work to assess and repair corrosion damage to the headworks influent channels, domestic and industrial pump discharge chambers, primary sedimentation basin influent channel, and other miscellaneous non-submerged concrete in the primary sedimentation basin area.

The second phase includes the design and construction of the coarse screen system and septage receiving station and replacing the existing south electrical building. The work will also include an arc flash analysis of the facility and preparation of an electrical facility plan to be performed concurrently. The estimated costs for

APPROVED: _____
Stephen Schwabauer, City Manager

this phase are expected to be \$11 million. Construction of this phase is expected to take place during Fiscal Year 2017/18.

WYA representatives demonstrated substantial knowledge of the WSWPCF infrastructure, the wastewater treatment and land application processes, and the discharge permit requirements. Their overall planning and implementation schedule for this project is well thought out and considers the discharge schedule of the facility. For this reason, staff recommends authorizing City Manager to execute Task Order No. 39 with West Yost Associates, of Davis, for engineering design and construction management services for WSWPCF improvements, in the amount of \$469,300.

FISCAL IMPACT: If the corrosion to these facilities is not repaired, structural damage could occur, interrupting the treatment process, substantially increasing repair costs and exposing the City to regulatory penalties.

FUNDING AVAILABLE: Funding for this task order is budgeted in the Fiscal Year 2015/16 Wastewater Capital Outlay Fund (530):

Jordan Ayers
Deputy City Manager/Internal Services Director

Charles E. Swimley, Jr.
Interim Public Works Director

Prepared by Charles E. Swimley, Jr., Interim Public Works Director
CES/CES/tdb
Attachment

Task Order No. 39

City of Lodi

White Slough WPCF 2016 Calendar Year Repairs and Improvement Engineering Design and Construction Management Services

West Yost Job Number 213-18-16-35

In accordance with the Task Order Agreement between City of Lodi (Client) and West Yost Associates, Inc. (Consultant), dated January 13, 1999, Consultant is authorized to complete the work scope defined in this Task Order according to the schedule and budget defined herein.

WORK SCOPE

Consultant will provide engineering design, inspection, and construction management services related to:

Repair of corrosion damage to the following concrete structures:

- Headworks domestic influent channels
- Headworks grit pump pit floor
- Domestic and industrial pump discharge chambers
- Primary sedimentation basin influent channel
- Stairways and miscellaneous non-submerged concrete in the primary sedimentation basin area
- Primary sedimentation basin effluent channel
- Influent channels between aeration basins No 1 & 2 and aeration basins No 3 & 4

In addition, this project will include the following improvements:

- Surface preparation and coating of the 24-inch diameter main aeration header
- Programming necessary to incorporate recent modifications to Digesters 1 and 2 into the WPCF SCADA system

These services are described in greater detail in Attachment A to this Task Order.

BUDGET

The costs for Consultant's services as defined herein shall not exceed \$469,300.

COMPENSATION

Compensation shall be in accordance with the provisions of the Task Order Agreement between Client and Consultant and the billing rate schedule contained in Attachment B to this Task Order.

The compensation limit for services performed under this task order shall not exceed \$469,300. If additional funds are required to complete the services defined herein beyond this limit, Consultant shall notify Client in writing prior to reaching the authorized limit, and will not proceed with work in excess of the limit without the prior written approval of Client

SCHEDULE

We anticipate that that services will be performed in accordance with the following schedule:

Milestone	Approximate Date
Complete Design Documents	April 2016
Complete Construction-Related Services	October 2016

WEST YOST ASSOCIATES, INC.

CITY OF LODI

Signature

Signature

Printed Name

Printed Name

Title

Title

Date

Date

Approved as to form

City Attorney



Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

1.1 BACKGROUND

This Scope of Work addresses engineering services related to 2016 calendar year improvements to the City of Lodi's White Slough Water Pollution Control Facility (WPCF) that were described in the Statement of Qualifications, City of Lodi – Plant Assessment dated September 17, 2015 and as refined and modified by subsequent scoping meetings and discussion.

1.2 DESCRIPTION OF PROJECT

This project involves repairing corrosion damage to the following concrete structures:

- Headworks domestic influent channels
- Headworks grit pump pit floor
- Domestic and industrial pump discharge chambers
- Primary sedimentation basin influent channel
- Stairways and miscellaneous non-submerged concrete in the primary sedimentation basin area
- Primary sedimentation basin effluent channel
- Influent channels between aeration basins No 1 & 2 and aeration basins No 3 & 4

In addition, this project will include the following improvements:

- Surface preparation and coating of the 24-inch diameter main aeration header
- Programming necessary to incorporate recent modifications to Digesters 1 and 2 into the WPCF SCADA system

Certain treatment process elements must be taken out of service in order to repair damaged concrete surfaces. This scope of work assumes that:

- Process elements will be taken out of service between May and September of 2016, when the WPCF treated wastewater is used to irrigate the City's agricultural fields and treatment requirements are somewhat less stringent.
- Concrete structures that must be taken out of service will be inspected and specific remediation measures will be stipulated by the design team during the May - September construction period.

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

1.3 TASK DESCRIPTIONS

1.3.1 Task 1 – Design

Design documents will define areas of work, work constraints, and detail procedures to be used to repair the various types of corrosion damage expected to be encountered.

1.3.1.1 Subtask 1.1 - Prepare 50% Complete Design Documents

The design team will prepare and submit 50% complete design documents for the City’s review. Anticipated design drawings are listed in Table 1. The design submittal will also include a preliminary construction cost estimate and preliminary “front-end” specifications.

This scope of services assumes:

- The City Building Department will not review and comment on the design documents, and therefore the design team will not be required to address such comments.
- Digester operating points to be integrated into the facility’s RSVIEW system are limited to temperature and level for Digesters 1 and 2 only. A total of four analog inputs will thus be incorporated into the SCADA system HMI screens
- No process control logic modifications are anticipated. That is, Integration work is limited to presentation of the new points on the HMI Screens. Changes to PLC logic other than that necessary to scale the points for presentation at the HMI are not included.
- Local I/O cabinet for monitoring digester operations has sufficient spare analog input points to accommodate the additional inputs.
- Additional conduit and wire necessary for circuiting the analog variables will be implemented in the form of performance specifications.

Table 1. Anticipated Design Drawings

General
Title Sheet
Index of Drawings, Legends, General Notes & Abbreviations
Overall Site Plan
Civil
Primary Influent Bypass Pumping Plan & Sections

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

Table 1. Anticipated Design Drawings

Headworks Work Area Plan & Sections
Primary Influent Work Area Plan & Sections
Primary Effluent Work Area Plan & Sections
Aeration Basin Work Area Plan & Sections
Coating Application Details 1
Coating Application Details 2
Structural
General Structural Repair Notes
Structural Repair Details 1
Structural Repair Details 2
Structural Repair Details 3

Deliverables: Five sets 1/2-size sets of 50% complete plans, preliminary front-end specifications, and a construction cost estimate based on the 50% complete submittal.

1.3.1.2 Subtask 1.2 – Prepare Final Design Documents

We will finalize the Contract Documents by incorporating review comments from City staff and from the independent quality control check.

Deliverables: Digital (pdf format) Contract Documents stamped and signed by the responsible engineer, suitable for printing and distribution by an online plan room and an updated construction cost estimate.

1.3.1.3 Subtask 1.3 – Service during Bidding

During the bidding period, WY will:

- Attend the pre-bid meeting to describe the work and participate in a site walk. It is assumed that City staff will conduct this meeting and will describe pertinent contracting procedures.
- Respond to bidder's inquiries during the bidding process. Responses will be closely coordinated through City staff.
- If it becomes necessary, WY will develop addenda that may be needed to document responses to bidders' inquiries. Addenda will be prepared and delivered to the City for distribution to plan holders.

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

1.3.1.4 Subtask 1.4 – Document Review and Safety Plan

Before the initiation of corrosion assessment field work, V&A will review as-built drawings and prepare a Safety Plan outlining the procedures and specific hazards that will be encountered while conducting the condition assessment. An electronic copy draft will be provided to the City for review. Comments will be incorporated and a final electronic copy submitted. V&A's documentation regarding health and safety training of its staff will be submitted with the Safety Plan.

Deliverable: Digital (pdf format) Safety Plan

1.3.1.5 Subtask 1.5 – Corrosion Repair Assessment

The following assessment methods will be used to evaluate the structures and their appurtenances. It should be noted that the assessment of the structures will be limited to safely accessible areas. It is assumed that the assessment will be conducted during four separate mobilizations.

Concrete pH Samples: Perform pH tests on the surfaces of the structures. The pH of concrete can substantiate the levels of concrete corrosion attack prevalent within the structures. Samples will only be taken where bare concrete is accessible, a sound coating or lining will not be removed to take a sample.

Reinforcing Steel Measurements: Measure the thickness of concrete protecting the reinforcing steel using SPR (surface penetrating radar). The SPR will also be used to verify the spacing of the reinforcing steel in the walls. The measurements will be taken on the walkways of the structures and up to two (2) 0.5-foot wide by 2-foot long areas of the influent/effluent channels.

Portable Zoom Camera: A portable zoom camera will be used on the two Aeration Basin Influent Channels if an entry is not possible.

Penetration Measurements: Perform concrete penetration measurements at two (2) key locations in each structure, as accessed from topside, to find approximate depth to sound concrete. The concrete penetration measurements will be taken by striking the concrete with a handheld chipping hammer and measuring the maximum depth to sound concrete. Penetration measurements will only be taken where bare concrete is accessible, a sound coating or lining will not be removed to perform the test.

Sounding: Conduct sounding evaluation on the concrete surfaces of the structures. Sounding a surface refers to tapping the structure surfaces with a chipping hammer and listening for discontinuities within the surface. Locations for sounding evaluation will be selected on the walls and slabs of the structures at the discretion of the evaluator conducting the assessment.

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

Visual Evaluation: Visually assess and document the condition of the structures with digital photographs. Defects such as concrete cracks, spalls, exposed reinforcing steel, metal corrosion, and coating deterioration will be documented.

1.3.2 Subtask 1.5 – Corrosion Assessment Report

After the condition assessment of the structures has been completed, a report will be prepared to document findings. The report will include photographic documentation of the existing conditions, field data, a summary of the evaluation data and necessary graphical and illustrative figures, as required, to present the information gathered during the assessment. The report will identify recommendations that were made to rehabilitate structures and appurtenances.

Deliverable: Corrosion Assessment Report

1.3.3 Subtask 1.5 – Other Engineering Services during Construction

1.3.3.1 Submittal Review

The design team will review submittals for compliance with the design concepts and specifications, certificates, samples, tests, methods, schedules, and manufacturers' installation and other instructions required to be submitted by the Contract Documents.

1.3.3.2 Interpretation and Clarification of Contract Documents

The design team will prepare written interpretation and clarifications of the Contract Documents in response to written requests from the Contractor (RFI's).

1.3.3.3 Change Order Support

We anticipate that there could be changes to the project. Some typical examples are: differences in conditions, Contractor suggestions approved by the City/engineer, additions to the work, changes in methods of construction, omissions, and Contract Document conflicts. As requested by the Construction Manager, WY and our sub-consultants will issue design engineer initiated clarifications (DEICs), prepare new or amend contract documents, and provide change order cost estimate input.

1.3.4 Task 2 - Construction Management and Inspection Services

West Yost would provide a part time Construction Manager and part time Inspector coordinating with the treatment plant O&M staff, contractor and design team. The level of effort assumed for the fee estimate is an average of one day a week for the CM and an average of two days a week for the Inspector over the three month project duration. Contract administration and inspection procedures

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

would be based upon use of West Yost standards augmented by City standard procedures and forms as appropriate.

1.3.4.1 Subtask 2.1 – Preconstruction Activities

This subtask would include CM team familiarization with the contract documents and preparing the preconstruction meeting agenda, conducting the meeting and preparing meeting minutes.

1.3.4.2 Subtask 2.2 – Construction Management and Inspection

This subtask would include performing construction contract administration and inspection. The document tracking system and field office files would be established. Preconstruction photos and video would be taken. Contract administration functions would include conducting biweekly progress meetings, submittal and RFI processing, and progress payment and change order processing. Inspection procedures would include preparing a daily construction progress report, testing logs and taking digital photos. Using West Yost's System Outage Request Procedure (SOR) West Yost's inspector would coordinate upcoming work with the treatment plant O&M staff and contractor. Deficient work would be tracked and corrected using West Yost's non-complying work system.

1.3.4.3 Subtask 2.3 - Project Closeout

The CM and Inspector would conduct a final inspection walkthrough with the City and design team. A final punch list would be prepared adding items from preliminary punch lists and any remaining non-compliant work for correction by the contractor. A lien release letter would be obtained from the contractor. The CM would assist the City in filing the Notice of Completion and processing the final progress payment. Hard and electronic copies (on flash drive) of all field files would be provided to the City.

1.3.5 Task 3 - Project Management, Meetings, QA/QC

1.3.5.1 Subtask 3.1 - Project Management

WY's project manager will conduct regular meetings with the lead designers to monitor progress, and will coordinate quality control review procedures. The project manager will be aware of progress, problems, and information needs for the Project, and will work to keep City representatives and staff informed. This structure is not, however, intended to limit beneficial interaction between the lead designers and City staff or representatives as design concepts and details are developed.

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

1.3.5.2 Subtask 3.2 - Meetings

Design Progress Meetings: The design team will attend regular progress meetings with City representatives and staff to discuss interim products and to appraise Client regarding the progress of the work. In addition, the design team will attend interim meetings with City representatives and staff to discuss technical issues as appropriate including interim design review meetings. WY will prepare meeting minutes to document design decisions.

Construction Progress Meetings: A WY representative will attend periodic progress meetings with City staff, the Construction Manager, and Contractor's representatives. Design subconsultant representative(s) will also attend on an as-needed basis. In addition, at the Construction Manager's request WY and sub-consultant representatives will visit the project site to provide advice and assistance, or to answer any questions that may arise concerning design intent.

Anticipated design and construction progress meetings are listed in Table 3.

Meeting	Primary Discussion Topics	Anticipated Date
Design Progress Meetings		
Design Kick-Off Mtg	PM Plan, SharePoint Site, Schedule, Communication	02/22/16
Progress Mtg #1	50% Complete Design Documents	03/14/16
Progress Mtg #2	100% Complete Design Documents	04/25/16
Construction Related Meetings		
Pre-Bid Mtg		Early May 2016
Construction Kick-Off Mtg		Late May 2016
Monthly Progress Meetings		June-Sept 2016

1.3.5.3 Subtask 3.3 - Quality Control/Quality Assurance

WY will perform quality assurance, inter-discipline coordination, and buildability reviews of all formal project submittals. Design documents will be reviewed at the interim and final design completion stages. WY will perform a general quality assurance control review of all documents prior to submission. WY will perform detailed quality assurance, inter-discipline coordination, and buildability review of the interim design submittals concurrently with the review of these documents by City staff.

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility 2016 Calendar Year Repairs and Improvements Engineering Design and Construction Management Services

1.4 ANTICIPATED SCHEDULE

It is anticipated that services will be performed in accordance with the following schedule.

Table 4. Anticipated Project Milestones	
Milestone	Approximate Date
Complete Design Documents	April 2016
Complete Construction-Related Services	October 2016

1.5 ESTIMATED FEE

Services will be performed on a time and materials basis in accordance with West Yost’s standard rates at the time the services are performed. West Yost’s 2016 rate schedule is shown in Attachment B. The estimated fee for each task is shown in Table 5. We will not exceed the Total Estimated Fee without prior authorization from City.

Table 5. Estimated Fee by Task		
Task No.	Task	Estimated Fee, dollars
1 - Design		
1.01	50% Design Submittal	105,600
1.02	Final Design Submittal	81,650
1.03	Services during Bidding	9,500
1.04	Document Review and Safety Plan	14,750
1.05	Corrosion Repair Assessment	48,700
1.06	Condition Assessment Report	29,950
1.07	Technical Assistance during Construction	37,150
	Design Subtotal	327,300
2 - CM/Inspection		
2.01	Preconstruction Activities	2,150
2.02	CM and Inspection	64,750
2.03	Project Closeout	1,000
	CM/Inspection Subtotal	67,900
3 - Project Management, Meetings, QA/QC		

Attachment A - Scope of Work

City of Lodi White Slough Water Pollution Control Facility
2016 Calendar Year Repairs and Improvements
Engineering Design and Construction Management Services

Table 5. Estimated Fee by Task		
Task No.	Task	Estimated Fee, dollars
3.01	Project Management	25,300
3.02	Meetings (including meetings during construction)	44,100
3.03	QA/QC	4,700
	Project Management, Meetings, QA/QC Subtotal	74,100
	TOTAL – ALL TASKS	469,300

2016 Billing Rate Schedule (Effective January 1, 2016 through December 31, 2016)*

ENGINEERING

Position	Labor Charges (dollars per hour)
Principal/Vice President	249
Engineering/Scientist/Geologist Manager II	239
Engineering/Scientist/Geologist Manager I	229
Principal Engineer/Scientist/Geologist II	222
Principal Engineer/Scientist/Geologist I	209
Senior Engineer/Scientist/Geologist II	196
Senior Engineer/Scientist/Geologist I	187
Associate Engineer/Scientist/Geologist II	177
Associate Engineer/Scientist/Geologist I	166
Engineer/Scientist/Geologist II	155
Engineer/Scientist/Geologist I	134
Senior GIS Analyst	183
GIS Analyst	172
CAD Supervisor	145
Senior CAD Designer	126
CAD Designer	112
Engineering Aide	76
Technical Specialist IV	142
Technical Specialist III	126
Technical Specialist II	109
Technical Specialist I	91
Administrative IV	114
Administrative III	104
Administrative II	86
Administrative I	68

- Technology and Communication charges including general and CAD computer, software, telephone, routine in-house copies/prints, postage, miscellaneous supplies, and other incidental project expenses will be billed at 6% of West Yost labor.
- Outside Services such as vendor reproductions, prints, shipping, and major West Yost reproduction efforts, as well as Engineering Supplies, Travel, etc. will be billed at actual cost plus 15%.
- Mileage will be billed at the current Federal Rate.
- Subconsultants will be billed at actual cost plus 10%.
- Expert witness, research, technical review, analysis, preparation and meetings billed at 150% of standard hourly rates. Expert witness testimony and depositions billed at 200% of standard hourly rates.
- A Finance Charge of 1.5% per month (an Annual Rate of 18%) on the unpaid balance will be added to invoice amounts if not paid within 45 days from the date of the invoice.

Continues on following page

*This schedule is updated annually

2016 Billing Rate Schedule

(Effective January 1, 2016 through December 31, 2016)*

CONSTRUCTION MANAGEMENT

Position	Labor Charges (dollars per hour)
Senior Construction Manager	237
Construction Manager IV	206
Construction Manager III	165
Construction Manager II	155
Construction Manager I	144
Resident Inspector (Prevailing Wage – Group 1)	161
Resident Inspector (Prevailing Wage – Group 2)	155
Resident Inspector (Prevailing Wage – Group 3)	139
Resident Inspector (Prevailing Wage – Group 4)	125
Apprentice Inspector	113
CM Administrative II	82
CM Administrative I	62

SURVEYING

Position	Labor Charges (dollars per hour)
GPS, 3-Person	376
GPS, 2-Person	326
GPS, 1-Person	253
Survey Crew, 2-Person	276
Survey Crew, 1-Person	208

EQUIPMENT CHARGES

Equipment	Billing Rate (dollars per day)	Billing Rate (dollars per week)
DO Meter	18	86
pH Meter	5	27
Automatic Sampler	135	740
Transducer/Data Logger	43	214
Hydrant Pressure Gage	12	52
Hydrant Pressure Recorder (HPR)	—	214
Hydrant Wrench	5	34
Well Sounder	30	139
Ultrasonic Flow Meter	—	280
Vehicle	92	463
Velocity Meter	12	68
Water Quality Multimeter	183	1003

*This schedule is updated annually

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO EXECUTE TASK ORDER NO. 39
WITH WEST YOST ASSOCIATES, OF DAVIS, FOR
ENGINEERING DESIGN AND CONSTRUCTION
MANAGEMENT SERVICES FOR WHITE SLOUGH WATER
POLLUTION CONTROL FACILITY

=====

WHEREAS, on September 2, 2015, Council authorized staff to solicit statements of qualifications for engineering services to plan and design several needed improvements at White Slough Water Pollution Control Facility (WSWPCF); and

WHEREAS, on November 20, 2015, staff interviewed West Yost Associates and Carollo Engineers as part of the professional services selection process; and

WHEREAS, West Yost Associates demonstrated substantially more knowledge of the WSWPCF infrastructure, the wastewater treatment and land application processes, and the discharge permit requirements; and

WHEREAS, staff recommends authorizing the City Manager to execute Task Order No. 39 with West Yost Associates, of Davis, for engineering design and construction management services for WSWPCF improvements, in the amount of \$469,300.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute Task Order No. 39 with West Yost Associates, of Davis, California, for engineering design and construction management services for White Slough Water Pollution Control Facility improvements, in the amount of \$469,300.

Dated: February 17, 2016

=====

I hereby certify that Resolution No. 2016-_____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

TM

AGENDA TITLE: Adopt Resolution Authorizing City Manager to Execute an Agreement with Partners for a Safer America

MEETING DATE: February 17, 2016

PREPARED BY: Chief of Police

RECOMMENDED ACTION: Adopt resolution authorizing City Manager to execute an agreement with Partners for a Safer America.

BACKGROUND INFORMATION: Partners for a Safer America was launched in 1999 to provide financial support and resources to law enforcement agencies that house inmates.

Through a partnership with the City of Lodi, Partners for a Safer America provides financial assistance to the City jail through the use of advertisements made available to Lodi-based bail bondsmen and criminal defense attorneys. Additional advertising space is allocated to bail bondsmen and criminal defense attorneys from the local region, to include referral services and other law-related information. Partners for a Safer America will be responsible for selling and installing advertisements.

Per the three year contract, the City will receive 70 percent of gross revenues earned annually the first year, 75 percent of gross revenues the second year and 80 percent of revenues the third year, with a minimum guarantee of \$1,000 annually.

FISCAL IMPACT: Revenues are projected at \$6,750 for the first year, and will increase accordingly over the next two years of the contract.

FUNDING AVAILABLE: Not applicable.

Tod Patterson
Chief of Police

TP/pjo

APPROVED: _____
Stephen Schwabauer, City Manager

LICENSE AGREEMENT BY AND BETWEEN
THE CITY OF LODI
AND
PARTNERS FOR A SAFER AMERICA

This is a license agreement by and between the City of Lodi, a municipal corporation hereinafter referred to as "City" or "Lodi Police Department", and Partners For A Safer America, hereinafter referred to as "Contractor", entered into in the City of Lodi, State of California.

The parties hereby agree to the following terms, covenants and conditions:

I. Contractor's Service Boards and Scope of Work

A. No later than (date to be determined), Contractor shall deliver not less than three (3), nor more than 15 bail bond service boards with minimum dimensions of 18" x 30" in size. Signboards shall come complete with frames, lexan plastic covers, hardware, and printed ad board, or static cling, clear plastic, printed sheet signs, ready for installation, to the City of Lodi Police Department, located at 215 W. Elm Street, Lodi, California 95240. Larger size signboards and encasements are available upon request.

B. Contractor's service boards shall exclusively provide law-related information and referral services for individuals on the premises being processed through the criminal justice system and inmates residing on the premises. The law-related information and referral services shall include the names and telephone numbers of bail agents. These boards may also include advertising information by qualified criminal attorneys if attorney advertising is authorized by the City.

C. Contractor agrees to sell and maintain a minimum of three (3) ads on the service boards during the term of this Agreement. The spaces for ads will first be made available to licensed bail agents in Lodi, second, to Lodi criminal law attorneys, if authorized by the City; and third, to licensed bail agents and attorneys outside of Lodi, CA.

D. All service boards shall contain the following caveat:

"Neither Partners For A Safer America nor the City of Lodi or the Lodi Police Department, or their employees, volunteers, or elected or appointed officials warrant the qualifications or competence of any of the persons or services listed on this service board."

E. It is understood that Contractor's right to install and maintain service boards on the premises shall be an exclusive right during the term of this License Agreement.

F. Contractor shall be solely responsible for the assembly, construction, printing, and delivery to City of all service boards. If signboard encasements are used to display service boards, they must be constructed and made of safety material (non-breakable frames, lexan plastic covers, and security screws) to prevent the inmates from removing, damaging, or defacing the boards (all materials used must be approved by the City, prior to installation). Any damaged service board or encasement will be removed by the City and must be replaced by the Contractor within thirty days (30) written or e-mail notice to the Contractor. City agrees to install all original service boards, and in addition, will install replacement inserts provided by Contractor, twice annually. City will provide

Contractor with new publicly distributed commercial telephone directories when they come out. In the event that the Contractor must change the information provided on the service boards more than twice annually, the Contractor agrees to reimburse the City for the actual costs incurred for replacement of the boards, not to exceed \$250.

G. Contractor is responsible for:

1. Securing and executing an agreement with each Bail Bond Agent, who desires to advertise on the service boards using the following criteria:
 - a. All Agency Trade Names appearing on service boards must be on file with the Department of Insurance and approved for use by the licensed agency owner.
 - b. Each bail bond agency owner wishing to place an ad on service boards must hold a valid bail bond license with the California State Department of Insurance (Insurance Code Section 1800.75). The City reserves the right to block or remove any non-licensed or non-qualified agency information card from service boards.
 - c. All employees licensed to conduct bail must also be approved to solicit bail bonds under the owner's approved Trade Name.
 - d. All display ad style information cards must comply with Department of Insurance regulations and may include agent pictures, agency name, telephone numbers, address, services available and any other information the agency owner feels is pertinent to the business. Nothing on the display cards can be obscene, immoral or illegal. Determination that information on display cards is inappropriate shall be in the sole discretion of the City.
2. Placing the names of all licensed bail bond agents desiring to do business in the City of Lodi, and desiring to advertise their services in the Lodi Police Department Jail Facilities, in a fair and equitable manner, on reasonably sized, professionally crafted, poster like boards, not to exceed 24" x 32" in size (unless pre-approved in writing by the City).
3. Contractor shall be responsible to randomly place all advertisements on the service boards, and to rotate all advertisements on these service boards every six months through the use of their web-based "Internet Drawing Program." This program allows all advertisers to participate in specially scheduled random rotation drawings held on the Internet. Details for participation will be provided to qualified advertisers at the time they secure an advertising contract with Contractor.
4. Developing a fair process for displaying all (Attorney advertisements) on the service boards, if Attorney advertising is approved by the City.
5. Charging persons purchasing advertising space on the service boards a minimum of \$100 per month during the first year of this Agreement, with an optional per month increase of twenty-five dollars (\$25) each year for the remainder of the contract term with the approval of the City.

II. Compensation

A. As compensation for allowing Contractor to install its service boards on the premises, the City shall receive seventy percent (70%) of gross revenues earned annually for the first year; seventy five percent (75%) for the second year; and eighty percent (80%) for every year thereafter, with a minimum guarantee of one thousand dollars (\$1,000) annually.

B. Contractor shall make a complete and accurate accounting of the gross revenue produced by the service boards and shall deliver the accounting and Police Department's first commission payment via Federal Express mail, upon email notification from the Lodi Police Department that all signboards have been properly installed in their encasements, or placed on the windows throughout the lobbies, booking areas, holding tanks and resident areas of the facilities.

C. The first payment to City shall be equal to the City's share of six (6) months revenue generated by Contractor. Contractor shall then deliver payments every six months through the duration of this Agreement. Contractor shall deliver City's check within seven (7) days from official notification by City of the timely installation of all new replacement inserts twice annually on (or before) the six month replacement date following the initial starting date reflected in the first email noted in paragraph II. B above.

D. As used in this paragraph, the term "gross revenue" shall mean the total amount of the advertising, charges or other advertising compensation owed to Contractor from persons, and or agencies placing their names, addresses and/or telephone numbers on advertisement placed on Contractor's service boards, without regard, and not to include, any amounts for bad debt, late payments, non-payment, etc. associated with amount owed to Contractor.

E. Contractor shall mail all payments to City at the following address:

City of Lodi Police Department
Attn: Accounts Receivables
215 W. Elm Street
Lodi, CA 95240

III. Term

A. This Agreement shall have a term of three (3) years and shall commence on January 1, 2016. City shall have the option to extend the term every three years, for an additional three (3) years, by providing written notice to Contractor no less than thirty (30) days prior to the expiration of the base term. In the event no written notice is provided, contract will automatically renew for an additional three (3) years, on the first day following the expiration of the base term.

B. Notwithstanding the provisions of paragraph III. A., City may terminate this Agreement at any time, with or without cause, on sixty (60) days written notice to Contractor.

C. Upon expiration or termination of this License Agreement, City will remove the service boards and encasements, and return them, at their expense, to Contractor at 8810 W. River Beach Lane, Boise, Idaho 83714.

IV. General Contract Provisions

A. Nondiscrimination Clause:

Contractor shall comply with all applicable federal, state, and local laws and regulations including Lodi City's policies concerning nondiscrimination and equal opportunity in contracting. Such laws include but are not limited to the following:

Title VII of the Civil Rights Act of 1964 as amended; Americans with Disabilities Act of 1990; The Rehabilitation Act of 1973 (Sections 503 and 504); California Fair Employment and Housing Act (Government Code sections 12900 et seq.); California Labor Code sections 1101, 1102, and 1102.1.

Contractor shall not discriminate against any subcontractor, employee, or applicant for employment because of age, race, color, national origin, ancestry, religion, sex/gender, sexual orientation, mental disability, physical disability, medical condition, political beliefs, organizational affiliations, or apprenticeship, hiring, employment, utilization, promotion, layoff, rates of pay or other forms of compensation.

Nor shall Contractor discriminate in provision of services provided under this contract because of age, race, color, national origin, ancestry, religion, sex/gender, sexual orientation, mental disability, physical disability, medical condition, political beliefs, organizational affiliations, or marital status.

B. Insurance

See Exhibit A, attached hereto and incorporated by this reference. Contractor's insurance shall be effective on the start date of this Agreement and shall continue throughout the entire term of this Agreement. Proof of insurance shall be attached as part of this Agreement prior to approval.

C. Security Clearance

All Contractors' employees, agents, and representatives, wishing to enter any City Jail Facility must first receive a security clearance prior to entrance. Contractor should allow at least four (4) weeks prior to intended entrance for completion of the security clearance process. Requests for security clearances shall be done by contacting the Custody Division Administrative Lieutenant. City reserves the right to refuse entrance to any person(s) not in possession of a security clearance badge or to confiscate any security clearance badge issued at its discretion. Contractor will reimburse City \$500 for each performed security clearance which results in a non-approval for access.

D. Contract Language

Contractor shall, during the term of this Agreement, comply with all applicable federal, state, and local rules, regulations, and laws.

Contractor shall maintain financial records adequate to show that City funds paid, or received, under this Agreement were used for purposes consistent with the terms of the Agreement.

These records shall be maintained during the term of this Agreement and for a period of three (3) years from termination of this Agreement or until all claims, if any, have been resolved, whichever period is longer.

E. Right To Conduct Business

Contractor shall obtain all necessary certificates, licenses and permits required by City, City, State, and Federal law in order to perform the services described in this Agreement. Copies of all such documents shall be presented to City upon demand.

F. Assignment

Contractor shall not assign this Agreement, either in whole or in part, without the prior written consent of the City. Any assignment without consent shall be null and void. This provision shall not prohibit Contractor from entering into separate Agreements with independent providers for limited individual services as long as such agreements shall not have the effect of accomplishing an assignment otherwise prohibited herein. Any assignment for which the City has given written consent shall be subject to all of the terms and conditions of this Agreement.

G. Independent Contractor Status

This is an Agreement by and between independent contractors and is not intended and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture or association between the City and Contractor. No party associated with or employed by Contractor shall have any claim under this Agreement or otherwise against the City for vacation pay, sick leave, retirement benefits, Social Security, Workers' Compensation, unemployment benefits, or employee benefits of any kind.

H. Regulatory & Legal Compliance

Contractor agrees that the City may suspend, and/or terminate this Agreement immediately if it is found to be in violation of any state or regulatory ruling which adversely affects the use of the signboards. This includes, but is not limited to a change in ruling by the Department of Insurance, or the California State Legislature; and upon said termination, the City agrees to return any advanced and unused portion of the advertising revenues City may be holding.

I. Waiver

The failure of City to insist upon the strict performance of any of the terms, covenants and conditions of this Agreement shall not be deemed a waiver of any right or remedy that City may have, and shall not be deemed a waiver of its right to require strict performance of all of the terms, covenants and conditions thereafter, nor a waiver of any remedy for the subsequent breach of any of the terms, covenants and conditions.

J. Notices

Any notice required to be given by either party, or which either party may wish to give, shall be in writing signed by an authorized representative of the sender and shall be deemed to have been given when the same is personally delivered or upon receipt by express or overnight delivery, postage prepaid, or three (3) days from the time of mailing if sent by certified or registered mail, postage prepaid, addressed as follows:

To City: City of Lodi Police Department
Custody Division
Attn: Custody Commander
215 W. Elm Street
Lodi, CA 95240

To Contractor: Partners For A Safer America
Attn: Patricia A. Garske, Executive Director
8810 W. River Beach Lane
Boise, ID 83714

K. ADA Compliance

In performing services under this Agreement, CONTRACTOR shall comply with the Americans with Disabilities Act (ADA) of 1990, and all amendments thereto, as well as all applicable regulations and guidelines issued pursuant to the ADA.

L. Applicable Law, Jurisdiction, Severability, and Attorney's Fees

This Agreement shall be governed by the laws of the State of California. Jurisdiction of litigation arising from this Agreement shall be venued with the San Joaquin County Superior Court. If any part of this Agreement is found to conflict with applicable laws, such part shall be inoperative, null, and void insofar as it is in conflict with said laws, but the remainder of this Agreement shall be in force and effect. In the event any dispute between the parties arises under or regarding this Agreement, the prevailing party in any litigation of the dispute shall be entitled to reasonable attorney's fees from the party who does not prevail as determined by the San Joaquin County Superior Court.

M. Jointly Negotiated

This Agreement has been jointly negotiated by the parties. The language in this Agreement shall be construed as a whole according to its fair meaning and not strictly for or against any of the parties.

N. Entire Agreement

This Agreement, along with any exhibits and attachments specifically referenced herein, constitute the entire Agreement by and between the parties relative to Contractor's service boards being installed and maintained on the premises and payment to City. Any prior or contemporaneous oral or written agreements by and between the parties or their agents or representatives relative to this matter are hereby revoked and extinguished by this Agreement. Should any inconsistency occur between the specific terms of this Agreement and the attached exhibits, the terms of this Agreement shall prevail.

O. Severability. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.

V. Indemnification and Responsibility for Damage

Contractor to the fullest extent permitted by law, shall indemnify and hold harmless City, its elected and appointed officials, directors, officers, employees and volunteers from and against any claims, damages, losses, and expenses (including reasonable attorney's fees), arising out of performance of the services to be performed under this Agreement, provided that any such claim, damage, loss, or expense is caused by the negligent acts, errors or omissions of Contractor, any subcontractor employed directly by Contractor, anyone directly or indirectly employed by any of them, or anyone for whose acts they may be liable, except those injuries or damages arising out of the active negligence of the City of Lodi or its officers or agents.

IN WITNESS WHEREOF, the parties have executed this Agreement as follows:

CONTRACTOR

Dated: _____

PATRICIA A. BROTHERS-GARSKÉ
Executive Director
Partners For A Safer America

CITY OF LODI, a municipal corporation

Dated: _____

STEPHEN SCHWABAUER
City Manager

Attest:

JENNIFER M. FERRAILO
City Clerk

LODI POLICE DEPARTMENT

Dated: _____

TOD PATTERSON
Chief of Police

Approved as to form:

JANICE D. MAGDICH
City Attorney

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO
EXECUTE AN AGREEMENT WITH
PARTNERS FOR A SAFER AMERICA

=====

WHEREAS, Partners for a Safer America was launched in 1999 to provide financial support and resources to law enforcement agencies that house inmates; and

WHEREAS, through a partnership with the City of Lodi, Partners for a Safer America provides financial assistance to the City jail through the use of advertisements made available to Lodi-based bail bondsmen and criminal defense attorneys; and

WHEREAS, the City will receive 70 percent of gross revenues earned annually the first year, 75 percent of gross revenues the second year, and 80 percent of gross revenues the third year, with a minimum guarantee of \$1,000 annually.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute a three-year agreement with Partners for a Safer America on behalf of the City of Lodi.

Dated: February 17, 2016

=====

I hereby certify that Resolution No. 2016-_____ was passed and adopted by the Lodi City Council in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

TM

AGENDA TITLE: Adopt Resolution Authorizing City Manager to Execute an Agreement for Copy Machine Equipment and Maintenance with Ricoh, USA (\$104,000)

MEETING DATE: February 17, 2016

PREPARED BY: Chief of Police

RECOMMENDED ACTION: Adopt Resolution Authorizing City Manager to Execute an Agreement for Copy Machine Equipment and Maintenance with Ricoh, USA in the amount of \$104,000.

BACKGROUND INFORMATION: The Lodi Police Department’s current contract with Ricoh USA for copy machine lease expires in July 2016. After reviewing copier usage and need for additional equipment, the department has worked extensively with Ricoh, USA to meet departmental needs.

Ricoh, USA was awarded a Multi-Function Devices and Related Services contract with U.S. Communities, a government purchasing alliance which provides competitive pricing to program participants. U.S. Communities awards its contracts to suppliers after a competitive solicitation process has been completed. All contracts are available to state and local government agencies, as well as school districts and nonprofits.

The five-year agreement will include the replacement of five leased Ricoh copy machines, the addition of a color copy machine to replace an obsolete Xerox copier, and \$2000 credit for the Xerox copy machine buy-back.

FISCAL IMPACT:

FY 15/16 - \$6,910	FY 18/19 - \$20,740
FY 16/17 - \$20,740	FY 19/20 - \$20,740
FY 17/18 - \$20,740	FY 20/21 - \$13,830

FUNDING AVAILABLE: General Fund – 10030001.72302 for FY 2015/16

Jordan Ayers
Deputy City Manager/Internal Services Director

Tod Patterson
Chief of Police

APPROVED: _____
Stephen Schwabauer, City Manager

City of Lodi, Police Department

Agreement Summary for MFP Fleet Refresh and Additional Equipment for Records Department
with Ricoh USA, Inc
January 5, 2016

**This is to summarize the terms, pricing and costs for the Ricoh Solution detailed in the spreadsheet
"Lodi Police Refresh 112315"**

The contract consists of the following documents:

- U.S. Communities Master Lease Agreement
- U.S. Communities Product Schedule
- Co-Terminus Accessory Addition Agreement – Fax option for the MPC5501
- Equipment Removal/Buyout Authorization
- Lodi Police Refresh 112315 spreadsheet
- This Agreement Summary

The contract is using US Communities Contract ID number of 4400003732

The contract is for a 5 year lease with a monthly payment of \$1,728.29 for a total contract value of \$103,697.40, which includes:

- 6 Ricoh Select Series MFP's, specifically configured as detail in the Lodi Police Refresh spreadsheet
- Includes 43,000 monthly B&W prints and monthly 7,000 Color prints shared by the 6 MFP's
 - If the quantities are exceeded in any quarterly cycle the additional B&W prints will be at \$0.0063 each and Color prints at \$0.0556. These overage are billed on a quarterly basis.
- Includes all services, warranties and guarantees defined in the U.S. Communities Master Lease Agreement
- This is billed on a monthly basis excluding applicable taxes.

For any question please contact:

Tim Burr
Services Executive
RicoH USA
2291 W. March Lane, Suite B-205
Stockton, CA. 95207

Email: timothy.burr@ricoh-usa.com
Office: (209) 475-5708
Cell: (408) 499-6794



Approved as to form

Deputy City Attorney

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO EXECUTE AN
AGREEMENT FOR COPY MACHINE EQUIPMENT AND
MAINTENANCE WITH RICOH, USA

=====

WHEREAS, the Lodi Police Department’s current contract with Ricoh USA for copy machines expires in July 2016; and

WHEREAS, Ricoh USA was awarded a Multi-Function Devices and Related Services contract with U.S. Communities, a government purchasing alliance which provides competitive pricing to program participants; and

WHEREAS, U.S. Communities awards its contracts to suppliers after a competitive solicitation process has been completed, and all contracts are available to State and local government agencies, as well as school districts and nonprofits; and

WHEREAS, the five-year agreement will include the replacement of five leased Ricoh copy machines, the addition of a color copy machine to replace an obsolete Xerox copier, and a \$2,000 credit for the Xerox copy machine buy-back.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute a five-year agreement with Ricoh USA on behalf of the City of Lodi/Lodi Police Department for copy machine equipment lease and maintenance, in an amount not to exceed \$104,000.

Date: February 17, 2016

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I hereby certify that Resolution No. 2016-____ was passed and adopted by the Lodi City Council in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



TM

CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing City Manager to Apply for a Grant Administered by the Department of Alcoholic Beverage Control

MEETING DATE: February 17, 2016

PREPARED BY: Chief of Police

RECOMMENDED ACTION: Adopt resolution authorizing City Manager to apply for a grant administered by the Department of Alcoholic Beverage Control.

BACKGROUND INFORMATION: The Department of Alcoholic Beverage Control Grant Assistance Program is soliciting applications in March 2016. If successful in securing the grant, the Lodi Police Department will use grant funds to conduct enforcements for alcohol-related enforcements and educational programs through Fiscal Year 16/17.

The Department of Alcoholic Beverage Control Grant Assistance Program is designed to assist departments in educating licensees and the public about alcohol-related laws, reduce the amount of alcohol sold to individuals under age 21 by ABC licensees, and reduce crime and quality-of-life issues related to the sale and consumption of alcohol.

The Lodi Police Department intends to apply for an award to carry out enforcements throughout the community. The grant process requires the City Council to authorize the acceptance of funds and approve the proposed expenditures for the City of Lodi.

FISCAL IMPACT: If successful, the grant will provide additional revenue for targeted enforcement programs.

FUNDING AVAILABLE: Not applicable.

Tod Patterson
Chief of Police

TP/pjo

APPROVED: _____
Stephen Schwabauer, City Manager

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO APPLY
FOR A GRANT FROM THE DEPARTMENT OF
ALCOHOLIC BEVERAGE CONTROL

=====

WHEREAS, the Department of Alcoholic Beverage Control Grant Assistance Program is designed to assist departments in educating licensees and the public about alcohol-related laws, reduce the amount of alcohol sold to individuals under age 21 by Alcoholic Beverage Control licensees, and reduce crime and quality-of-life issues related to the sale and consumption of alcohol; and

WHEREAS, the Department of Alcoholic Beverage Control Grant Assistance Program is soliciting grant applications in March 2016; and

WHEREAS, staff recommends that the City Council authorize the submittal of the Lodi Police Department’s grant application to the Department of Alcoholic Beverage Control Grant Assistance Program to carry-out enforcements throughout the community.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute and submit a grant application on behalf of the City of Lodi to the Department of Alcoholic Beverage Control.

Dated: February 17, 2016

=====

I hereby certify that Resolution No. 2016-_____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Selecting State Route 99/Turner Road Interchange Improvements as Project Nomination for San Joaquin Council of Governments' One Voice Trip

MEETING DATE: February 17, 2016

PREPARED BY: Interim Public Works Director

RECOMMENDED ACTION: Adopt resolution selecting State Route 99/Turner Road Interchange Improvements as project nomination for San Joaquin Council of Governments' One Voice trip.

BACKGROUND INFORMATION: The San Joaquin Council of Governments (SJCOG) is again developing regional priorities in preparation for the annual "One Voice" lobbying trip to Washington, D.C., in April 2016.

The One Voice trip is an opportunity for all jurisdictions in the county to work cooperatively to secure federal funds.

City staff recommends requesting funds for State Route 99 (SR 99)/Turner Road Interchange Improvements. In early 2013, SJCOG commissioned a study to improve safety and enhance operations of the SR 99 corridor through the City of Lodi in San Joaquin County. The safety and operational deficiencies associated with the SR 99/Turner Road Interchange include insufficient ramp lengths, limited sight distance, conflicting weaving movements, and insufficient acceleration length for vehicles entering SR 99.

The proposed project consists of constructing various improvements to the southbound SR 99/Turner Road Interchange. The improvements include realigning the existing off and on ramps and utilizing a round-about feature to provide free flowing channelization of vehicles exiting the freeway toward either Turner Road or Cherokee Lane; or providing access to vehicles entering SR 99 without the need for ramp signalization.

By constructing the proposed improvements, the safety and operational deficiencies will be mitigated while enhancing the accessibility to the City's Cherokee Lane corridor, the downtown business area, and Turner Road which is a designated Surface Transportation Assistance Act (STAA) route.

The proposed project (estimated to cost approximately \$3.9 million) was programmed to be constructed using State Transportation Improvement Program (STIP). Due to the recent \$754 million statewide STIP shortfall, the project is slated for de-funding, leaving no funding available to construct the improvements. For this reason, the City is requesting all \$3.36 million through the One Voice process.

The One Voice program began in 2000. The City has received funding for one project (\$400,000 for wastewater plant upgrades in 2004) out of \$64.2 million in awards to San Joaquin County.

APPROVED: _____
Stephen Schwabauer, City Manager

FISCAL IMPACT: Award of funding for the SR 99/Turner Road Interchange Improvements would increase the safety and operation of the interchange while enhancing the accessibility to the City's Cherokee Lane corridor, the downtown business area, and Turner Road which is a designated STAA route.

FUNDING AVAILABLE: Not applicable.

Charles E. Swimley, Jr.
Interim Public Works Director

CES/CES/tb

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL SELECTING
STATE ROUTE 99/TURNER ROAD INTERCHANGE IMPROVEMENTS
AS PROJECT NOMINATION FOR SAN JOAQUIN COUNCIL OF
GOVERNMENTS' ONE VOICE TRIP

WHEREAS, the safety and operational deficiencies associated with the State Route 99 (SR 99)/Turner Road Interchange include insufficient ramp lengths, limited sight distance, conflicting weaving movements, and insufficient acceleration length for vehicles entering SR 99; and

WHEREAS, the proposed project consists of constructing various improvements to the southbound SR 99/Turner Road Interchange including realigning the existing off and on ramps and utilizing a round-about feature to provide free flowing channelization of vehicles exiting the freeway toward either Turner Road or Cherokee Lane; or providing access to vehicles entering SR 99 without the need for ramp signalization; and

WHEREAS, award of funding for the SR 99/Turner Road Interchange Improvements would increase the safety and operation of the interchange while enhancing the accessibility to the City's Cherokee Lane corridor, the downtown business area, and Turner Road, which is a designated Surface Transportation Assistance Act (STAA) route; and

WHEREAS, staff recommends that the City Council select State Route 99/Turner Road Interchange Improvements as the project nomination for the San Joaquin Council of Governments' One Voice trip.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby select the State Route 99/Turner Road Interchange Improvements as the project nomination for the San Joaquin Council of Governments' One Voice trip; and

BE IT FURTHER RESOLVED, that the Lodi City Council does hereby authorize the City Manager to execute the Local Jurisdiction Endorsement Form.

Dated: February 17, 2016

I hereby certify that Resolution No. 2016-_____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

TM

AGENDA TITLE: Authorize the Mayor, on Behalf of the City Council, to Send a Letter of Opposition for SB 876 (Liu): Enforcement of Local Ordinances

MEETING DATE: February 17, 2016

PREPARED BY: City Clerk

RECOMMENDED ACTION: Authorize the Mayor, on behalf of the City Council, to send a letter of opposition for SB 876 (Liu): Enforcement of Local Ordinances.

BACKGROUND INFORMATION: On February 9, 2016, the City received correspondence from the League of California Cities to oppose SB 876 (Liu): Enforcement of Local Ordinances.

SB 876 preempts local authority to address important issues affecting public health and safety in public spaces and on private property that is held open to the public, including, but not limited to, plazas, courtyards, parking lots, sidewalks, public transportation facilities, public buildings, shopping centers, and parks. It is understood this measure is well intentioned; however, local agencies must continue to be able to protect the public health, safety, and welfare of their communities. Moreover, this measure will not make a positive impact in the effort to address chronic homelessness.

For the reasons stated above and in the attached draft correspondence, it is recommended that the City Council authorize the execution and delivery of the proposed correspondence.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.

Jennifer M. Ferraiolo
City Clerk

APPROVED: _____
Stephen Schwabauer, City Manager

CITY COUNCIL

MARK CHANDLER, Mayor
DOUG KUEHNE,
Mayor Pro Tempore
BOB JOHNSON
JOANNE MOUNCE
ALAN NAKANISHI

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6702 / FAX (209) 333-6807
www.lodi.gov cityclerk@lodi.gov

STEPHEN SCHWABAUER
City Manager
JENNIFER M. FERRAILOLO
City Clerk
JANICE D. MAGDICH
City Attorney

February 18, 2016

The Honorable Senator Carol Liu
California State Senate
State Capitol, Room 5097
Sacramento, CA 95814
FAX: (916) 651-4925

RE: SB 876 (Liu) Enforcement of Local Ordinances
Notice of OPPOSITION

Dear Senator Liu:

On behalf of the City of Lodi, I regret to inform you of our opposition of Senate Bill 876 (Liu).

This measure preempts local authority to address important issues affecting public health and safety in public spaces and on private property that is held open to the public, including, but not limited to, plazas, courtyards, parking lots, sidewalks, public transportation facilities, public buildings, shopping centers, and parks. We recognize that this measure is well intentioned; however, local agencies must continue to be able to protect the public health, safety, and welfare of their communities. Moreover, we do not believe this measure will make a positive impact in the effort to address chronic homelessness.

Removing local enforcement authority as you propose in SB 876 will do nothing to help the problem and would actually undermine existing efforts. SB 876 contains no solutions for ending homelessness. In fact, the bill on page 3, line 16, specifically states, "Passing this Act will not reduce homelessness." Removing local authority could exacerbate the problem by removing incentives for some to take advantage of existing resources and services being offered.

The key to getting people off of the streets is to provide more shelter. We need resources: permanent housing, beds, and accompanying social services, such as mental health treatment, job training, addiction counseling, etc. Cities and other local agencies need more funding and flexibility to provide these proven programs.

Once again, the City of Lodi regrets to inform you of our opposition to SB 876.

Sincerely,

Mark Chandler,
Mayor, City of Lodi

cc: Senator Cathleen Galgiani, Fax: (916) 651-4905
Assemblymember Jim Cooper, Fax: (916) 262-0995
Alison Dinmore, Consultant, Senate Committee on Transportation and Housing, Fax: (916) 445-2209
Doug Yoakam, Housing Consultant, Senate Republican Caucus, Fax: (916) 445-2209
Stephen Qualls, League of California Cities, squalls@cacities.org
Meg Desmond, League of California Cities, mdesmond@cacities.org

Jennifer Ferraiolo

From: Stephen R. Qualls <squalls@cacities.org>
Sent: Tuesday, February 09, 2016 2:05 PM
Subject: URGENT: CALLS & LETTERS NEEDED
Attachments: League Adopts Housing Affordability as a Strategic Priority-FINAL.DOCX; Talking Points.pdf; Action Alert SB 876 (Liu).docx; Sample letter of Opposition for SB 876.docx

SB 876 is a bad bill with good intentions. It would allow the homeless to set up camp in almost any public place and remain there indefinitely. It would preempt local governments ability to provide clean and safe passage for their citizens.

The bill is scheduled to be heard in the Senate Transportation and Housing Committee in the coming weeks. Senators Cannella and Galgiani sit on the committee so if your city lies in either of their districts, please call their offices and ask them to vote no on SB 876.

I have attached talking points to update you on the bill.

In addition to requesting that you place personal calls, I have also attached a letter of opposition that your city can send expressing it's opposition to the bill.

Below is the contact information for the Senator's offices.

Please let me know of any feedback that you might receive.

Thank you,

State Senator Anthony Cannella SD12

Capitol Office: State Capitol, 1303 10th Street, Sacramento, CA 95814 Room 5082 Phone: 916-651-4012 Fax: 916.651-4912 Ceres Office: 2561 3rd Street, Suite A, 95307 Phone: (209) 581-9827 Fax: 209-581-9832 Salinas Office: 369 Main St., Ste. 208, 93902 Phone: 831-769-8040 Fax: 831-769-8086

Email: senator.cannella@senate.ca.gov<<mailto:senator.cannella@senate.ca.gov>>

State Senator Member Cathleen Galgiani SD5 Capitol office: Room 2059, Sacramento, CA 95814-4900; (916) 651-4005 Fax: 916.651-4905 District Offices: 31 E. Channel, Suite 440, Stockton, CA 95202; (209) 948-7930

1010 10th Street, Suite 5800, Modesto, CA 95354; (209) 576-6273

Email: senator.galgiani@senate.ca.gov

Stephen Qualls

Central Valley Regional Public Affairs Manager League of California Cities

209-614-0118

Fax 209-883-0653

squalls@cacities.org<<mailto:squalls@cacities.org>>

[Description: Description: LCC_Logo_SM] [X]

Strengthening California Cities through Advocacy and Education To expand and protect local control for cities through education and advocacy in order to enhance the quality of life for all Californians.

<<http://www.cacities.org/AC>>

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DisclaimerPlease Note: Please take the following precautions if this email is about a CITIPAC event. Though it is not illegal for you to receive this notice via a city e-mail address, you should not respond to it or forward it using public resources. You may however forward this message to your non-public e-mail account for distribution on non-public time. If you have questions about the event or need additional information, please contact Mike Egan at (916) 658-8271 or egan@cacities.org

Talking Points

SB 876 (Liu). Enforcement of Local Ordinances

OPPOSE

- Removing local control to address issues associated with the homeless is the wrong approach. It will make things more difficult in my community and does absolutely nothing to help people get off the streets.
- The key to getting people off of the streets is to provide more shelter. We need resources: permanent housing beds and accompanying social services such as mental health treatment, job training, addiction counseling, etc. Cities and other local agencies need more funding and flexibility to provide these proven programs. Additionally, these services should be provided as a coordinated effort. Removing local enforcement authority as proposed in SB 876 will do nothing to help the problem, and would actually undermine existing efforts.
- As an alternative, the Senate should support Senator De Leon's proposal and other options that provide us something constructive to work with.
- Removing local authority would also remove incentives for some chronically homeless to take advantage of existing resources and services being offered. For example, some local jurisdictions host legal clinics where homeless clinic participants can have citations and related fines removed from their records in exchange for community service and for taking advantage of housing and other services.
- (Give Examples of things your city is doing) Many cities and counties are finding solutions to combating homelessness; examples consist of building and developing permanent supportive housing, working with counties and non-profits, or offering an information center consisting of difference services that can assist in a variety of ways. Pilot programs have been initiated in northern California that have evidence showing how successful having permanent housing as an option can be for helping the homeless end living on the streets.

Introduced by Senator LiuJanuary 14, 2016

An act to add Part 2.2 (commencing with Section 53.8) to Division 1 of the Civil Code, and to amend Section 11135 of, and to add Section 11139.2 to, the Government Code, relating to homelessness.

LEGISLATIVE COUNSEL'S DIGEST

SB 876, as introduced, Liu. Homelessness.

Existing law provides that no person shall, on the basis of race, national origin, ethnic group identification, religion, age, sex, sexual orientation, color, genetic information, or disability, be unlawfully denied full and equal access to the benefits of, or be unlawfully subjected to discrimination under, any program or activity that is conducted, operated, or administered by the state or by any state agency, is funded directly by the state, or receives any financial assistance from the state.

This bill would expand those provisions to also include exclusion or discrimination based upon homeless status. The bill would prohibit cities, counties, cities and counties, and municipal agencies that receive state funds from enacting or enforcing a law that bans resting in a public space, as defined. The bill would afford persons experiencing homelessness the right to use public spaces without discrimination based on their housing status and describe basic human and civil rights that may be exercised without being subject to criminal or civil sanctions, including the right to use and to move freely in public spaces, the right to rest in public spaces and to protect oneself from the elements, the right to eat in any public space in which having food is not prohibited, and the right to perform religious observances in public spaces, as specified. Because the bill would require local agencies to perform additional duties, it would impose a state-mandated local program.

The bill would authorize a person whose rights have been violated pursuant to these provisions to enforce those rights in a civil action in which the court may award the prevailing party injunctive and declaratory relief, restitution, damages, statutory damages of \$1,000 per violation, and fees and costs.

The bill would also require all applicants for the United States Department of Housing and Urban Development's Continuum of Care Homeless Assistance Program to annually provide to the Department of Housing and Community Development's Division of Housing Policy Development a copy of its application for funding from the United States Department of Housing and Urban Development that includes the organization's response to the application question regarding steps that its community is taking to reduce criminalization of homelessness.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) According to the United States Department of Housing and
4 Urban Development's report to Congress, 115,738 people were
5 estimated to be homeless in California in 2014, a rate that is
6 unprecedented following a deep and prolonged economic recession,
7 a severe shortage of safe and affordable housing, a failed veteran
8 and civilian mental health system, and a diminished social safety
9 net.

10 (b) According to the United States Department of Education,
11 284,086 schoolchildren were known to have experienced
12 homelessness in the 2013–14 school year.

13 (c) Homelessness is an independent risk factor for a number of
14 illnesses, making people more susceptible to increased health
15 problems due to high stress, sleep deprivation, unsanitary

1 surroundings, lack of access to hygiene facilities, and a myriad of
2 other situational stressors experienced by people without stable
3 housing. Subsequently, people who are chronically homeless are
4 more medically frail and three to four times more likely to die
5 prematurely than their housed counterparts.

6 (d) Throughout California, local governments have enacted
7 ordinances that make it illegal to rest or receive nourishment in
8 public spaces.

9 (e) Ending homelessness in California will require significant
10 state and federal resources and there is ample evidence that policies
11 that invest in ending homelessness, rather than criminalizing and
12 marginalizing people who are experiencing homelessness,
13 adequately balance the needs of all parties: community residents,
14 government agencies, businesses, and men and women who are
15 experiencing homelessness.

16 (f) Passing this act will not reduce homelessness, but neither
17 will local ordinances that criminalize homelessness. Instead,
18 ordinances that criminalize homelessness result in increased
19 incarceration rates and financial indebtedness of people who simply
20 have no means of support and prolong homelessness by making
21 it more difficult for people to secure housing, employment, and
22 medical care. Criminalization policies further marginalize men
23 and women who are experiencing homelessness, fuel inflammatory
24 attitudes, and may even unduly restrict constitutionally protected
25 liberties.

26 (g) That is why, on September 18, 2015, the United States
27 Department of Housing and Urban Development included in the
28 annual Notice of Funding Availability for the Continuum of Care
29 funding competition, provisions that would award additional points
30 to any application that could include steps the community is taking
31 to reduce criminalization of homelessness.

32 (h) It is also why, on August 6, 2015, the United States
33 Department of Justice submitted a rare statement of interest in a
34 United States District Court in opposition to the criminalization
35 of people who are homeless, calling it cruel and unusual
36 punishment to punish someone for a crime with the potential for
37 imprisonment and a violation of constitutional rights.

38 (i) While these ordinances apply to all residents, they
39 disproportionately impact people without homes, who have no
40 private place to rest or seek nourishment, and are often selectively

1 applied by law enforcement to people based upon their appearance
2 or an assumption of homelessness.

3 (j) In practice, these ordinances deprive persons experiencing
4 homelessness and those who may be perceived as homeless of a
5 safe and legal place to rest and seek nourishment, which adversely
6 impacts their health and well-being.

7 (k) Sleep deprivation impairs cognitive processes and puts one
8 at risk for obesity, heart disease, heart attack, heart failure, irregular
9 heartbeat, high blood pressure, stroke, diabetes, and depression.
10 People who are homeless suffer from sleep deprivation and, absent
11 a place to rest, they suffer it more frequently.

12 (l) Because current practices have denied the right to adequate
13 legal representation to people cited or arrested while resting or
14 sharing food, homeless persons are often denied relief or damages
15 through the courts.

16 (m) Both the federal government, through its Interagency
17 Council on Homelessness, and the United Nations have recognized
18 that discrimination and criminalization violate a homeless person's
19 human rights and have called upon state and local governments to
20 cease enactment and enforcement of those laws.

21 (n) Homelessness and the increasing criminalization of
22 homelessness and discrimination against those experiencing
23 homelessness are widespread throughout California and are matters
24 of statewide concern.

25 (o) Section 1 of Article I of the California Constitution provides
26 that "[a]ll people are by nature free and independent and have
27 inalienable rights. Among these are enjoying and defending life
28 and liberty, acquiring, possessing, and protecting property, and
29 pursuing and obtaining safety, happiness, and privacy," without
30 qualification as to whether or not a person is, or appears to be,
31 homeless.

32 (p) Subdivision (a) of Section 7 of Article I of the California
33 Constitution provides that "[a] person may not be deprived of life,
34 liberty, or property without due process of law or denied equal
35 protection of the laws"

36 (q) Concordant with this fundamental belief, a person should
37 not be subject to discrimination based on his or her income, housing
38 status, or ability or desire to appear housed. Therefore, it is the
39 intent of the Legislature in enacting this legislation to protect the
40 rights of all Californians, regardless of their housing status, and

1 ameliorate the adverse effects caused by the criminalization of
2 homelessness on our communities and our citizens.

3 (r) Decriminalization of rest allows municipal governments to
4 redirect resources from local enforcement activities to activities
5 that address the root causes of homelessness and poverty.

6 SEC. 2. Part 2.2 (commencing with Section 53.8) is added to
7 Division 1 of the Civil Code, to read:

8

9

PART 2.2. HOMELESS PERSONS

10

11 53.8. For purposes of this part, the following definitions shall
12 apply:

13 (a) “Homeless persons,” “homeless people,” or “persons
14 experiencing homelessness” means those individuals or members
15 of families who lack a fixed, regular, and adequate nighttime
16 residence, including people defined as homeless using the criteria
17 established in the Homeless Emergency Assistance and Rapid
18 Transition to Housing (HEARTH) Act of 2009.

19 (b) “Motor vehicle” means a motor vehicle as defined in Section
20 415 of the Vehicle Code.

21 (c) “Public space” means any property that is owned by a
22 government entity or any property upon which there is an easement
23 for public use and that is held open to the public, including, but
24 not limited to, plazas, courtyards, parking lots, sidewalks, public
25 transportation facilities and services, public buildings, shopping
26 centers, and parks.

27 (d) “Recreational vehicle” means a recreational vehicle as
28 defined in Section 18010 of the Health and Safety Code.

29 (e) “Rest” means the state of not moving, holding certain
30 postures that include, but are not limited to, sitting, standing,
31 leaning, kneeling, squatting, sleeping, or lying.

32 53.81. (a) Persons experiencing homelessness shall be
33 permitted to use public space in the ways described in this section
34 at any time that the public space is open to the public without
35 discrimination based upon their housing status, and without being
36 subject to criminal, civil, or administrative penalties. Permitted
37 use of the public space include, but are not limited to, all of the
38 following:

39 (1) Free movement without restraint.

1 (2) Sleeping or resting, and protecting oneself from the elements
2 while sleeping or resting in a nonobstructive manner.

3 (3) Eating, sharing, accepting, or giving food in a space in which
4 having food is not otherwise generally prohibited.

5 (4) Praying, meditating, worshiping, or practicing religion.

6 (b) Nothing in this section shall prevent law enforcement from
7 enforcing laws to protect the right of people to use the sidewalk,
8 pursuant to the Americans with Disabilities Act of 1990 (42 U.S.C.
9 Sec. 12101 et seq.).

10 (c) Nothing in this section shall prevent law enforcement from
11 enforcing the Penal Code, except subdivision (e) of Section 647
12 of the Penal Code, so far as it prohibits rest.

13 53.82. (a) Any person whose rights have been violated pursuant
14 to this part may enforce those rights in a civil action.

15 (b) The court may award appropriate injunctive and declaratory
16 relief, restitution for loss of property or personal effects and
17 belongings, actual damages, compensatory damages, exemplary
18 damages, statutory damages of one thousand dollars (\$1,000) per
19 violation, and reasonable attorney’s fees and costs to a prevailing
20 party.

21 SEC. 3. Section 11135 of the Government Code is amended
22 to read:

23 11135. (a) No person in the State of California shall, on the
24 basis of race, national origin, ethnic group identification, religion,
25 age, sex, sexual orientation, color, genetic information, ~~or~~
26 disability, *or homeless status*, be unlawfully denied full and equal
27 access to the benefits of, or be unlawfully subjected to
28 discrimination under, any program or activity that is conducted,
29 operated, or administered by the state or by any state agency, is
30 funded directly by the state, or receives any financial assistance
31 from the state. Notwithstanding Section 11000, this section applies
32 to the California State University.

33 (b) With respect to discrimination on the basis of disability,
34 programs and activities subject to subdivision (a) shall meet the
35 protections and prohibitions contained in Section 202 of the federal
36 Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132),
37 and the federal rules and regulations adopted in implementation
38 thereof, except that if the laws of this state prescribe stronger
39 protections and prohibitions, the programs and activities subject

1 to subdivision (a) shall be subject to the stronger protections and
2 prohibitions.

3 (c) (1) As used in this section, “disability” means any mental
4 or physical disability, as defined in Section 12926.

5 (2) The Legislature finds and declares that the amendments
6 made to this act are declarative of existing law. The Legislature
7 further finds and declares that in enacting Senate Bill 105 of the
8 2001–02 Regular Session (Chapter 1102 of the Statutes of 2002),
9 it was the intention of the Legislature to apply subdivision (d) to
10 the California State University in the same manner that
11 subdivisions (a), (b), and (c) already applied to the California State
12 University, notwithstanding Section 11000. In clarifying that the
13 California State University is subject to paragraph (2) of
14 subdivision (d), it is not the intention of the Legislature to increase
15 the cost of developing or procuring electronic and information
16 technology. The California State University shall, however, in
17 determining the cost of developing or procuring electronic or
18 information technology, consider whether technology that meets
19 the standards applicable pursuant to paragraph (2) of subdivision
20 (d) will reduce the long-term cost incurred by the California State
21 University in providing access or accommodations to future users
22 of this technology who are persons with disabilities, as required
23 by existing law, including this section, Title II of the federal
24 Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12101
25 and following), and Section 504 of the Rehabilitation Act of 1973
26 (29 U.S.C. Sec. 794).

27 (d) (1) The Legislature finds and declares that the ability to
28 utilize electronic or information technology is often an essential
29 function for successful employment in the current work world.

30 (2) In order to improve accessibility of existing technology, and
31 therefore increase the successful employment of individuals with
32 disabilities, particularly blind and visually impaired and deaf and
33 hard-of-hearing persons, state governmental entities, in developing,
34 procuring, maintaining, or using electronic or information
35 technology, either indirectly or through the use of state funds by
36 other entities, shall comply with the accessibility requirements of
37 Section 508 of the federal Rehabilitation Act of 1973, as amended
38 (29 U.S.C. Sec. 794d), and regulations implementing that act as
39 set forth in Part 1194 of Title 36 of the Federal Code of
40 Regulations.

1 (3) Any entity that contracts with a state or local entity subject
2 to this section for the provision of electronic or information
3 technology or for the provision of related services shall agree to
4 respond to, and resolve any complaint regarding accessibility of
5 its products or services that is brought to the attention of the entity.

6 (e) As used in this section, “sex” and “sexual orientation” have
7 the same meanings as those terms are defined in subdivisions ~~(q)~~
8 ~~and~~ (r) and (s) of Section 12926.

9 (f) As used in this section, “race, national origin, ethnic group
10 identification, religion, age, sex, sexual orientation, color, or
11 disability” includes a perception that a person has any of those
12 characteristics or that the person is associated with a person who
13 has, or is perceived to have, any of those characteristics.

14 (g) As used in this section, “genetic information” has the same
15 definition as in paragraph (2) of subdivision (e) of Section 51 of
16 the Civil Code.

17 (h) *As used in this section, “homeless status,” or “people
18 experiencing homelessness” means those individuals or members
19 of families who lack a fixed, regular, and adequate nighttime
20 residence.*

21 (i) *As used in this section, “public space” means any property
22 that is owned by any government entity or any property upon which
23 there is an easement for public use and that is held open to the
24 public, including, but not limited to, plazas, courtyards, parking
25 lots, sidewalks, public transportation facilities and services, public
26 buildings, shopping centers, and parks.*

27 (j) *As used in this section, “rest” means the state of not moving,
28 holding certain postures that include, but are not limited to, sitting,
29 standing, leaning, kneeling, squatting, sleeping, or lying. Rest also
30 includes the act of protecting oneself from the elements, in a
31 nonobstructive manner.*

32 (k) *The Legislature finds and declares that people with a
33 homeless status lack a private space to rest, and, therefore, they
34 must rest in a public space.*

35 (l) *It is the intent of the Legislature to protect the rights of all
36 people, including those experiencing homelessness, in order to
37 diminish the adverse effects of municipalities engaged in violating
38 the fundamental right to rest.*

39 (m) *In order to ensure full and equal access to the benefits and
40 protections afforded by this section against discrimination in the*

1 *administration of any program or activity conducted, operated,*
2 *or administered by the state or any state agency funded directly*
3 *by the state, or that receives any financial assistance from the*
4 *state, no city, county, city and county, or municipal agency that*
5 *receives state funds shall enact or enforce a law that bans resting*
6 *in a public space, as defined in Part 2.2 (commencing with Section*
7 *53.8) of Division 1 of the Civil Code.*

8 SEC. 4. Section 11139.2 is added to the Government Code, to
9 read:

10 11139.2. To improve monitoring of discrimination based upon
11 housing status and violations of Section 11135, and to ensure that
12 people who are experiencing homelessness are not unlawfully
13 denied full and equal access to the benefits of state-funded
14 programs or assistance, or unlawfully subjected to discrimination,
15 all applicants for the United States Department of Housing and
16 Urban Development’s Continuum of Care Homeless Assistance
17 Program shall annually provide to the Department of Housing and
18 Community Development’s Division of Housing Policy
19 Development a copy of its application for funding from the United
20 States Department of Housing and Urban Development that
21 includes the organization’s response to the application question
22 regarding steps that its community is taking to reduce
23 criminalization of homelessness.

24 SEC. 5. If the Commission on State Mandates determines that
25 this act contains costs mandated by the state, reimbursement to
26 local agencies and school districts for those costs shall be made
27 pursuant to Part 7 (commencing with Section 17500) of Division
28 4 of Title 2 of the Government Code.



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Set Public Hearing for March 16, 2016, to Consider Resolution Adopting Pre-Approved Proposition 218 Consumer Price Index-Based Annual Adjustment to Rates for Solid Waste Collection

MEETING DATE: February 17, 2016

PREPARED BY: Interim Public Works Director

RECOMMENDED ACTION: Set Public hearing for March 16, 2016, to consider resolution adopting pre-approved Proposition 218 Consumer Price Index-based annual adjustment to rates for solid waste collection.

BACKGROUND INFORMATION: The franchise agreement with Central Valley Waste Services allows rates for solid waste collection to be adjusted annually, on April 1st.

Section 7c of the franchise agreement allows Central Valley Waste Services the option to either:

- (a) adjust rates equal to 80 percent of the annual change in the Consumer Price Index (CPI) for all Urban Consumers for San Francisco-Oakland-San Jose, California Area, All Items (1982-84=100) plus an adjustment for extraordinary increases in landfill fees, fuel and energy costs and changes in law up to 100 percent of the change in the CPI, or
- (b) 100 percent of the annual change in the CPI without the other adjustments but with a certification that costs had increased by more than 100 percent of the change in the CPI.

Central Valley Waste Services is requesting the option to increase rates by 80 percent of the annual change in the CPI (option a). The increase in rates based on 80 percent of the CPI change is 2.091 percent. Landfill fees and fuel energy cost adjustments were not included in the requested rate increase for this year.

For most residential customers, the rate increase will be 53 cents per month. The effective date of the proposed rates is April 1, 2016. The complete schedule of proposed rate changes is attached (Exhibit A).

FISCAL IMPACT: Franchise and billing fees paid to the City will increase by approximately \$26,000 annually.

FUNDING AVAILABLE: Not applicable.

Charles E. Swimley, Jr.
Interim Public Works Director

CES/RAY/tdb
Attachment
cc: Central Valley Waste Services
Information Systems Division

APPROVED: _____
Stephen Schwabauer, City Manager



CITY OF LODI
MULTI-CART CURBSIDE REFUSE RATES
EFFECTIVE APRIL 1, 2016 THROUGH MARCH 31, 2017

Services Offered	Current Monthly Rate	New Monthly Rate
1. 35 GALLON REFUSE CART 1X PER WEEK		
1 Refuse Cart	\$25.38	\$25.91
2 Refuse Carts	\$63.40	\$64.73
3 Refuse Carts	\$101.47	\$103.59
4 Refuse Carts	\$139.55	\$142.47
2. 64 GALLON REFUSE CART 1X PER WEEK		
1 Refuse Cart	\$38.18	\$38.98
2 Refuse Carts	\$95.39	\$97.38
3 Refuse Carts	\$152.59	\$155.78
3. 96 GALLON WASTE CART 1X PER WEEK		
1 Refuse Cart	\$83.23	\$84.97
2 Refuse Carts	\$166.46	\$169.94
3 Refuse Carts	\$249.69	\$254.91
4. DUPLEX AND MULTI-FAMILY, AND MOBILE HOMES		
Monthly rate is reduced one (1) dollar from above b	(\$1.00)	(\$1.00)
5. LOW VOLUME USER 1X PER WEEK****		
One (1) - 20 Gallon Low Volume Refuse Cart	\$17.27	\$17.63
7. ADDITIONAL 64 GALLON RECYCLING CARTS		
Second and Third Recycling Cart	No Add'l Charge	No Add'l Charge
Fourth and Each Additional Cart	\$13.68	\$13.97
8. ADDITIONAL 96 GALLON YARD AND GARDEN CARTS		
Second and Third Yard and Garden Cart	\$0.00	\$0.00
Fourth and Each Additional Yard and Garden Cart	\$13.68	\$13.97
9. BACK YARD SERVICE****		
Monthly service charge	\$14.05	\$14.34
Qualified Disabled	No Add'l Charge	No Add'l Charge

Notes:

****Applies to Single Family Dwellings Only



CITY OF LODI
CONTAINER RATES
EFFECTIVE APRIL 1, 2016 THROUGH MARCH 31, 2017

New Monthly Rates

WEEKLY SERVICE - ONE (1) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$135.43	\$251.93	\$577.29	\$1,041.85	\$1,645.62	\$2,388.60
2	\$215.17	\$392.57	\$820.51	\$1,415.53	\$2,177.61	\$3,106.72
3	\$294.90	\$533.12	\$1,063.69	\$1,789.18	\$2,709.54	\$3,824.81
4	\$374.59	\$673.70	\$1,306.90	\$2,162.82	\$3,241.50	\$4,542.95
5	\$454.36	\$814.28	\$1,550.10	\$2,536.52	\$3,773.50	\$5,261.00
6	\$534.08	\$954.87	\$1,793.28	\$2,910.20	\$4,305.41	\$5,979.12
7	\$613.82	\$1,095.50	\$2,036.51	\$3,283.84	\$4,837.37	\$6,697.23
8	\$693.53	\$1,236.02	\$2,279.74	\$3,657.44	\$5,369.34	\$7,415.35
9	\$773.27	\$1,376.66	\$2,522.92	\$4,031.15	\$5,901.33	\$8,133.45
10	\$853.03	\$1,517.24	\$2,766.11	\$4,404.81	\$6,433.27	\$8,851.51

WEEKLY SERVICE - TWO (2) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$197.34	\$371.93	\$769.61	\$1,316.03	\$2,011.19	\$2,855.02
2	\$335.10	\$624.90	\$1,182.30	\$1,918.22	\$2,832.60	\$3,925.48
3	\$472.91	\$877.83	\$1,595.07	\$2,520.46	\$3,654.06	\$4,995.91
4	\$610.69	\$1,130.81	\$2,007.74	\$3,122.65	\$4,475.55	\$6,066.35
5	\$748.51	\$1,383.66	\$2,420.45	\$3,724.87	\$5,296.96	\$7,136.78
6	\$886.31	\$1,636.67	\$2,833.08	\$4,327.10	\$6,118.44	\$8,207.25
7	\$1,024.14	\$1,889.61	\$3,245.87	\$4,929.28	\$6,939.86	\$9,277.63
8	\$1,161.90	\$2,142.58	\$3,658.58	\$5,531.50	\$7,761.32	\$10,348.11
9	\$1,299.73	\$2,395.53	\$4,071.27	\$6,133.68	\$8,581.84	\$11,418.53
10	\$1,437.54	\$2,648.44	\$4,483.97	\$6,735.89	\$9,405.63	\$12,488.97

WEEKLY SERVICE - THREE (3) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$251.21	\$476.00	\$923.80	\$1,520.33	\$2,265.60	\$3,159.60
2	\$442.92	\$832.95	\$1,490.67	\$2,326.84	\$3,341.50	\$4,534.63
3	\$634.64	\$1,189.97	\$2,057.57	\$3,133.38	\$4,417.39	\$5,909.63
4	\$826.30	\$1,546.93	\$2,624.43	\$3,939.88	\$5,493.30	\$7,284.66
5	\$1,018.03	\$1,903.93	\$3,191.32	\$4,746.45	\$6,569.24	\$8,659.68
6	\$1,209.76	\$2,260.88	\$3,758.19	\$5,552.94	\$7,645.09	\$10,034.70
7	\$1,401.44	\$2,617.44	\$4,325.07	\$6,359.44	\$8,720.98	\$11,409.74
8	\$1,593.15	\$2,974.84	\$4,891.96	\$7,165.97	\$9,796.91	\$12,784.75
9	\$1,784.85	\$3,331.87	\$5,458.86	\$7,972.48	\$10,872.79	\$14,159.78
10	\$1,976.56	\$3,688.84	\$6,025.72	\$8,779.01	\$11,948.68	\$15,534.75

WEEKLY SERVICE - FOUR (4) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$305.14	\$580.01	\$1,077.99	\$1,724.70	\$2,520.08	\$3,464.20
2	\$550.74	\$1,041.04	\$1,799.03	\$2,735.48	\$3,850.43	\$5,143.83
3	\$796.35	\$1,502.12	\$2,520.11	\$3,746.37	\$5,180.77	\$6,823.44
4	\$1,041.99	\$1,963.15	\$3,241.18	\$4,757.22	\$6,511.17	\$8,503.01
5	\$1,287.56	\$2,424.17	\$3,962.23	\$5,768.04	\$7,841.54	\$10,182.68
6	\$1,533.23	\$2,885.22	\$4,683.34	\$6,778.88	\$9,171.85	\$11,862.26
7	\$1,778.87	\$3,346.29	\$5,404.42	\$7,789.75	\$10,502.18	\$13,541.87
8	\$2,024.52	\$3,807.31	\$6,125.47	\$8,800.55	\$11,832.56	\$15,221.50
9	\$2,270.10	\$4,268.34	\$6,846.53	\$9,811.42	\$13,162.95	\$16,901.12
10	\$2,515.78	\$4,729.39	\$7,567.56	\$10,822.22	\$14,493.28	\$18,580.72

WEEKLY SERVICE - FIVE (5) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$359.03	\$684.08	\$1,232.18	\$1,928.96	\$2,774.56	\$3,768.78
2	\$658.58	\$1,249.14	\$2,107.46	\$3,144.18	\$4,359.35	\$5,752.96
3	\$958.10	\$1,814.25	\$2,982.71	\$4,359.33	\$5,944.18	\$7,737.23
4	\$1,257.63	\$2,379.34	\$3,857.97	\$5,574.48	\$7,528.97	\$9,721.44
5	\$1,557.23	\$2,944.45	\$4,733.17	\$6,789.66	\$9,113.78	\$11,705.65
6	\$1,856.73	\$3,509.52	\$5,608.48	\$8,004.80	\$10,698.63	\$13,689.83
7	\$2,156.32	\$4,074.60	\$6,483.72	\$9,220.01	\$12,283.43	\$15,674.03
8	\$2,455.83	\$4,639.69	\$7,358.99	\$10,435.15	\$13,868.22	\$17,658.26
9	\$2,755.41	\$5,204.81	\$8,234.21	\$11,650.33	\$15,453.07	\$19,642.46
10	\$3,054.95	\$5,769.91	\$9,109.49	\$12,865.48	\$17,037.84	\$21,626.67

WEEKLY SERVICE - SIX (6) CUBIC YARD CONTAINER

# OF CONTAINERS	1 X WK	2 X WK	3 X WK	4 X WK	5 X WK	6 X WK
1	\$412.91	\$788.11	\$1,386.38	\$2,133.31	\$3,028.99	\$4,073.41
2	\$766.37	\$1,457.24	\$2,415.78	\$3,552.79	\$4,868.27	\$6,362.17
3	\$1,119.83	\$2,126.36	\$3,445.24	\$4,972.27	\$6,707.49	\$8,650.98
4	\$1,473.27	\$2,795.48	\$4,474.63	\$6,391.73	\$8,546.78	\$10,939.75
5	\$1,826.74	\$3,464.59	\$5,504.07	\$7,811.20	\$10,386.02	\$13,228.55
6	\$2,180.18	\$4,133.81	\$6,533.52	\$9,230.68	\$12,225.28	\$15,517.34
7	\$2,533.62	\$4,802.92	\$7,562.92	\$10,650.15	\$14,064.57	\$17,806.12
8	\$2,887.03	\$5,472.05	\$8,592.37	\$12,069.64	\$15,903.79	\$20,094.89
9	\$3,240.50	\$6,141.15	\$9,621.84	\$13,489.12	\$17,743.08	\$22,383.71
10	\$3,594.00	\$6,810.28	\$10,651.23	\$14,908.59	\$19,582.32	\$24,672.52



**CITY OF LODI
COMMERCIAL COMPACTOR RATES
EFFECTIVE APRIL 1, 2016 THROUGH MARCH 31, 2017**

Services Offered	Current Monthly Rate	New Monthly Rate
<u>1. 2 CUBIC YARD COMPACTOR</u>		
1X Week	\$297.89	\$304.12
2X Week	\$595.77	\$608.23
3X Week	\$893.66	\$912.35
4X Week	\$1,191.55	\$1,216.47
5X Week	\$1,489.44	\$1,520.59
<u>2. 3 CUBIC YARD COMPACTOR</u>		
1X Week	\$368.07	\$375.77
2X Week	\$736.16	\$751.55
3X Week	\$1,104.23	\$1,127.32
4X Week	\$1,472.30	\$1,503.09
5X Week	\$1,840.38	\$1,878.87
<u>3. 4 CUBIC YARD COMPACTOR</u>		
1X Week	\$438.83	\$448.01
2X Week	\$877.66	\$896.01
3X Week	\$1,316.49	\$1,344.02
4X Week	\$1,755.31	\$1,792.02
5X Week	\$2,194.15	\$2,240.03



**CITY OF LODI
10 TO 50 CUBIC YARD CONTAINERS
RATE STRUCTURE
EFFECTIVE APRIL 1, 2016 THROUGH MARCH 31, 2017**

	Current Rates	New Monthly Rate
PERMANENT HIGH FREQUENCY ROLL-OFF RATES		
1. Drop-off and Pick-up Charge Per Box	\$175.97	\$180.22
2. Tons Disposed/Box X Processing Charge	\$39.62	\$40.58
ONE-TIME TEMPORARY USER ROLL-OFF RATES		
1. Drop/off/Pick-up Charge Per Box	\$223.33	\$229.13
2. Tons Disposed/Box X Processing Charge	\$39.62	\$40.65
TEMPORARY OR PERMANENT COMMERCIAL COMPACTOR RATES*		
1. Drop/off/Pick-up Charge Per Box	\$306.39	\$312.80
2. Tons Disposed/Box X Processing Charge	\$39.62	\$40.45

* This charge will be applied to loads that are serviced by "Roll Off" vehicles.

* This charge will be applied per load to self contained compaction containers or containers that attach to a charging unit for the purpose of compaction in sizes on or about 10 to 50 cubic yards.



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Conduct a Public Hearing to Consider the Appeal of Bella Terra Plaza / Rio Valley Charter School for Reconsideration of the Planning Commission Project Indecision

MEETING DATE: February 17, 2016

PREPARED BY: Community Development Department

RECOMMENDED ACTION: Conduct a Public Hearing to consider the appeal of Bella Terra Plaza / Rio Valley Charter School for reconsideration of the Planning Commission project indecision.

BACKGROUND INFORMATION: On January 13, 2016, the Lodi Planning Commission held a duly noticed public hearing for the Bella Terra Plaza / Rio Valley Charter School request for a Use Permit to allow a charter school into an existing tenant space at 1110 W. Kettleman Lane.

The Rio Valley Charter School is a public charter school authorized by the Lodi Unified School District. The Charter School offers an alternative to traditional schooling and utilizes independent home schooling. Students do most of their schooling at home, coming to the site only for scheduled one-on-one meetings with credentialed teachers, as well as tutoring and small group workshops.

At the meeting the Planning Commissioners and members of the public asked a number of questions about the charter school use and the current state of the proposed property. Unfortunately, the property owner was not able to attend the meeting and some concerns could not be answered and issues were unresolved. Based on the administrative record before them, the Planning Commission voted to approve the project and ended in a 3 to 3 indecision. This resulted in neither an approval nor denial of the project.

In an effort to move the project forward, the applicant is appealing the Planning Commission decision to the City Council

At the meeting there were a number of concerns presented about the Bella Terra Plaza building conditions, the compatibility of uses within the Plaza and the proposed charter school and the charter school use in that development.

Representatives from the charter school were present to answer questions about the school operations and any existing concerns from the current charter school location at 1530 West Kettleman.

APPROVED: _____
Stephen Schwabauer, City Manager

Concerns were raised about the current condition of the property involving a leaking building, incompatible existing tenant uses that include restaurants that serve alcohol and a massage parlor, current homeless loitering in the area, student loitering at the commercial center and a pattern of building improvements that are done without City oversight. The property owner was unavailable to answer these questions and comments; they were not at the meeting.

The Council is being requested to reconsider the indecision. Concerned residential neighbors and existing commercial tenants will be at the hearing.

Planning staff have prepared a draft resolution for approval and draft resolution for denial.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.

Stephen Schwabauer
Community Development Director

Attachments:

- 1) Planning Commission January 13th Minutes
- 2) Planning Commission Resolution
- 3) Planning Commission Packet
- 4) City Council Resolution for Approval
- 5) City Council Resolution for Denial

**LODI PLANNING COMMISSION
REGULAR COMMISSION MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
WEDNESDAY, JANUARY 13, 2016**

1. CALL TO ORDER / ROLL CALL

The Regular Planning Commission meeting of January 13, 2016 was called to order by Chair Heinitz at 7:00 p.m.

Present: Planning Commissioners – Cummins, Kirsten, Kiser, Olson, Slater and Chair Heinitz

Absent: Planning Commissioners – Hennecke

Also Present: Senior Planner Craig Hoffman, Deputy City Attorney John Fukasawa and Administrative Secretary Kari Chadwick

2. MINUTES

“November 11, 2015”

MOTION / VOTE:

The Planning Commission, on motion of Commissioner Kirsten, Kiser second, approved the minutes of November 11, 2015 as written.

3. PUBLIC HEARINGS

- a) Notice thereof having been published according to law, an affidavit of which publication is on file in the Community Development Department, Chair Heinitz called for the public hearing to consider the request of the Planning Commission for approval of a Use Permit to allow a charter school in an existing tenant space at 1110 Kettleman Lane. (Applicant: Bella Terra Plaza, LLC; File 2015-40 U; CEQA Determination: Exempt per Section 15303)

Senior Planner Craig Hoffman gave a brief PowerPoint presentation based on the staff report. Staff is recommending approval of the project as conditioned with the amended language provided to you on the Blue Sheet. He added that there is a letter provided on Blue Sheet that was received after the packet was produced.

Commissioner Kiser stated that he has been to the site and there are a number of problems with the roof leaking and structural issues with the second floor. A report was done by Mike Smith Engineering regarding the structural issues, but to his knowledge none of the items of concern have been taken care of to date. He wanted to mention it because of his concern for the students and possible mold problems due to the leaking. He is also concerned about the proximity of establishments that serve alcohol. Mr. Hoffman stated that he will defer to the applicant to address those concerns. He added that this project is classified as a learning center and does not have to adhere to the same requirements as a traditional school in regards to ABC regulations.

Commissioner Slater stated that mold can cause a number of health problems. He also added that he would like to hear from the applicant regarding the proximity of alcohol establishments.

Chair Heinitz stated that he also has a problem with a school going in near so many establishments serving alcohol.

Commissioner Olson stated that she would have had concerns regarding the proximity of alcohol if the students were being dropped off and left there all day, but that isn't the case with this type of learning center. She doesn't feel that this is the type of school that will promote loitering.

Hearing Opened to the Public

- Dr. Marcy Grill, Vice Principal for Rio Valley Charter School, came forward to answer questions. She gave a brief description of the style of school and the reason behind the move to this location. She added that they are looking to partner with Impact Sports, gymnastics business in the same area, for some of the student's physical exercise needs. Dr. Grill added that she worked at a different charter school at this location years ago. The school has been at their current location for four years and there have not been any complaints.
- Commissioner Kirsten asked if while walking around the location had Dr. Grill encountered any problems with leaky roofs or mold issues. Dr. Grill stated that she has not encountered these problems, but she acknowledged that she is an academic administrator not a contractor. If there are any issues with mold she would be adamant in having the property management fix them to avoid any health problems for the students and staff of the school.
- Commissioner Kiser stated that he has talked with the owner of the gymnastic establishment and he is very unhappy with response he has gotten from the management for the plaza. Commissioner Slater agreed with Commissioner Kiser and encouraged Dr. Grill to take a second look. Dr. Grill stated that she will look into the situation further.
- Chair Heinitz asked if the school has looked into the proximity to the service of alcohol. Dr. Grill stated that they have gotten all the necessary approvals.
- Commissioner Slater asked if the staff will be trained to look for alcohol abuse. Dr. Grill stated that staff does the regular training to look for signs of substance use and would not release a child to any parent that is showing signs of use. She added that all parents have to sign their student in and out at the reception desk.
- Rocky Bianchi, resident directly behind this location, came forward to express his concerns for the project. He has lived at this location since before Bella Terra Plaza was built and attended the meetings for the original approval. Mr. Bianchi stated that there have been many changes to the center and not all of them have been positive; for instance, the windows at the back of the plaza were supposed to be obscured glass with only the top portion of the windows able to open for ventilation, now there are clear glass windows and windows that completely open similar to a sliding glass door. He expressed a concern over the access to the alley way. The possible loitering of the students and parking may be an issue. The maintenance of the building has deteriorated over the years. He does not want to see any of the cars parking around the corner in the neighborhood. Mr. Kiser echoed some of Mr. Bianchi's concerns by stating that there are maintenance issues as well as some possible structural issues with the upstairs area. He added that he went by the location before this meeting to look at the parking and the lot was full. Mr. Kiser stated that he has spoken with the Building Office, Dennis Canright, regarding his concerns, but could not give any detail information regarding that discussion.
- Commissioner Olson asked for clarification from Mr. Bianchi regarding whether or not he objects to the school, since it sounds like his concerns were mainly focused on the condition of the center. Mr. Bianchi stated that he does have concerns with the parking and possible loitering that the school may cause. Ms. Olson asked if there is a problem with the gymnastic establish and the number of students they have. Mr. Bianchi stated that he does not have any concerns with that business. He stated that business is a contained situation. The kids are dropped off and picked up as soon as the classes are over or the parents stay at the location while the class is being conducted. Ms. Olson stated that is exactly what this type of school will be as well. The parents will drop off the student by checking them in at the reception desk, then come back and pick them up at that same location. Mr. Bianchi stated that because of the type of school there are concerns with the quality of student that will be attending. He added that these types of schools are geared toward trouble students. Ms. Olson stated her appreciation for the comments, but disagreed with the sentiment.

- Commissioner Cummins stated his agreement with Ms. Olson statement. He added that just because a parent chooses to send their child to an alternate learning facility does not mean that they are a troubled student.
- Commissioner Slater clarified that the yellow mats that are being installed in the rear area of the building are called truncated domes and they are installed for ADA path of travel. He is concerned with that area being a designated path of travel for the sight. He stated that he agrees with Commissioner Olson in that this type of school should not be an indication of trouble students. He added that he has concerns with the facility not the school.
- Commissioner Kirsten stated that staff has stated that the additional traffic at this location will not be an issue, so he is not sure if this should be a concern of the Commission. He added that the proximity of establishments that serve alcohol isn't necessarily a perfect fit, but the likelihood of this school having an alcohol related incident is remote. He is concerned about what he has heard here tonight regarding the condition of the facility. He is hoping that since this school will be an income generating business for them that they will be motivated to take some action to rectify the issues. Mr. Kirstin asked if the Commission could put conditions on the project mandating the property owner to bring it up to code and pass a mold test. Mr. Hoffman stated that the Commission cannot put those types of conditions in the resolution because it would put the Commission in between the tenant and the landowner, and that is not the role of the Commission. It will put the Commission in an awkward place. The Commission can put conditions in the resolution that would put back some of the original conditions that may have been undone by recent construction such as the windows at the rear of the building. Mr. Hoffman added that there are exits to the rear of the building because of the assembly use and with that there needs to be an unobstructed path of travel to the public right-of-way for any emergency exit doors. It is not intended to be a primary access point. He also added that there have not been any calls regarding disturbance for this school at its current location just down the street on Kettleman Lane. There is always a condition in the resolution that will allow the Use Permit to be brought back to the Commission if there are any issues with the project violating any of the conditions.
- James Burke, resident directly behind the facility, came forward to express his concerns for the project. He has had issues with kids smoking in the alley as well as the general maintenance of the facility. He added that they are already working in the space. He does not have a concern with the charter school, but more with the lack of facility maintenance and the affect it will have on the students.
- Commissioner Kiser asked staff to confirm if work has already begun without the permit being issued. Mr. Hoffman stated that there may be some demolition work being started.
- Carrie Hutmacher, resident directly behind the facility, came forward to express her concerns for the project. There have been fights, drug sales, young girls being picked up and she has had to call the police many times. This is not a safe development for kids. She and her grandkids tried to use the elevator and ran into a couple being intimate. Ms. Hutmacher added that all of her grandkids have gone to charter schools and she would not want them to attend a school at this site. This is not the right environment for children. Commissioner Kirstin asked if Ms. Hutmacher is familiar with the currently location of the school. Ms. Hutmacher stated that she is familiar with that location. Mr. Kirstin asked if the conditions at the current location are different than this one. Ms. Hutmacher stated that the current location is much better. The opportunity for people loitering around the school at the current location doesn't exist there like it does at this location. Mr. Kirstin asked if it could be possible that this use going into this space could clean up some of the concerns that the residence have with the clientele that may be causing some of the issues. Ms. Hutmacher stated that the conditions have really gone down pretty far at this location and she does not see that being possible. She added that maybe if they had security walking around the facility that might help.

Public Portion of Hearing Closed

MOTION / VOTE:

The Planning Commission, on motion of Commissioner Cummins, Kirsten second, finds that the project is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15303, and denies the Use Permit to allow the Rio Valley Charter School in an existing tenant space at 1110 Kettleman Lane subject to the findings and conditions of approval contained in the draft resolution as amended on the Blue Sheet provided. The motion carried by the following vote:

Ayes: Commissioners – Cummins, Kirsten and Olson
Noes: Commissioners – Kiser, Slater and Chair Heinitz
Absent: Commissioners - Hennecke

The item was not approved or denied with a 3 to 3 undecided vote.

ATTEST:


Kari Chadwick
Planning Commission Secretary

CONCUR:


Craig Hoffman
Senior Planner

RESOLUTION NO. P.C. 16-01

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF LODI APPROVING THE REQUEST OF BELLA TERRA PLAZA, LLC FOR A USE PERMIT TO ALLOW THE RIO VALLEY CHARTER SCHOOL IN AN EXISTING TENANT SPACE AT 1110 W. KETTLEMAN LANE

WHEREAS, the Planning Commission of the City of Lodi has heretofore held a duly noticed public hearing, as required by law, on the requested Use Permit, in accordance with the Lodi Municipal Code, Section 17.74; and

WHEREAS, the project proponents are Bella Terra Plaza, LLC, c/o Mr. Luis Bolinao, 201 Wilshire Blvd, Suite A28 Santa Monica, CA 90401; and

WHEREAS, the project parcel is owned by Bella Terra Plaza, LLC, c/o Mr. Luis Bolinao, 201 Wilshire Blvd, Suite A28 Santa Monica, CA 90401; and

WHEREAS, the project is located at 1110 W. Kettleman Lane, Lodi, CA 95240 (APN: 060-370-01); and

WHEREAS, the property has a General Plan designation of Mixed Use Corridor and is zoned Planned Development (15); and

WHEREAS, a charter school requires the approval of a Use Permit by the Planning Commission; and; and

WHEREAS, based upon the facts and analysis presented in the staff report, and public testimony received and subject to the conditions of approval listed below, the Planning Commission finds that the establishment, maintenance or operation for the requested use or building applied for, will not, under the circumstances of this particular case, be detrimental to the health, safety, morals, comfort, convenience and general welfare of the persons residing or working in the neighborhood of such proposed use, or be injurious or detrimental to property and improvements in the neighborhood or to the general welfare of the City; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred; and

Based upon the evidence within the staff report and project file the Planning Commission finds:

1. The project is found to be categorically exempt from CEQA review under 14 CCR §15303. Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure and is consistent with the applicable general plan designation and all applicable general plan policies as well as with the applicable zoning designation and regulations and would not result in any significant effects relating to traffic, noise, air quality, or water quality, and the site of the proposed project can be adequately served by all required utilities and public services.
2. The existing Westgate Shopping Center is zoned PD (15), the underlying designation is general commercial. A school is allowed subject to a use permit in this zone. The project has been conditioned to be consistent with the zoning code and the use will not be detrimental to the welfare of persons or properties working, residing, or otherwise existing in the adjacent neighborhood areas.
3. The General Plan land use designation for the project site is Mixed Use Corridor, which permits the proposed use. The conditions for the restriction of the conditional use are

consistent with the General Plan, will not affect neighborhood compatibility; and will not cause the operation of the conditional use to be detrimental to the welfare of persons or properties working, residing, or otherwise existing in the adjacent neighborhood areas.

4. There are no proposed changes to the site and the proposed use is consistent with the Zoning Code and the General Plan policies. As such, the subject site is adequate in size and shape to accommodate the proposed use within a commercial area with all the required off-street parking provided on the subject site. Further, the project will not have a negative effect on the public health, safety, or welfare; or be materially injurious to persons, properties or improvements in the vicinity.
5. The existing use complies with all requirements as set forth for the issuance of a Use Permit, in that the site is adequate in size, shape and topography for the proposed use, consisting of an existing building.
6. The site is located in a commercial area that is accessible from public streets. Existing street networks are adequate in size and shape to accommodate the quantity and quality of traffic generated by the proposed use without any significant impacts to the street system.
7. The proposed use, as conditioned, will not have an adverse effect upon the use, enjoyment or valuation of property in the neighborhood because the proposed use will be located within an existing facility and no expansion is proposed.
8. The proposed use, as conditioned, will not have an adverse effect upon the use, enjoyment or valuation of property in the neighborhood because the proposed use will be located within an existing building with no additions to the footprint of the building.
9. The proposed use would not have a substantial adverse economic effect on nearby uses because operation of a restaurant/bar in accordance with applicable laws and under the conditions of this Use Permit is anticipated to be an economic benefit to the community.
10. The proposed use can be compatible with the surrounding use and neighborhood if the business is conducted properly and if the Applicant/Operator works with neighboring businesses and residents to resolve any problems that may occur.

NOW, THEREFORE, BE IT DETERMINED AND RESOLVED by the Planning Commission of the City of Lodi that Use Permit Application No. 2015-40 is hereby approved, subject to the following conditions:

Community Development-Planning

1. The applicant/project proponent and/or property owner and/or developer and/or successors in interest and management shall, at their sole expense, defend, indemnify and hold harmless the City of Lodi, its agents, officers, directors and employees, from and against all claims, actions, damages, losses, or expenses of every type and description, including but not limited to payment of attorneys' fees and costs, by reason of, or arising out of, this Use Permit approval. The obligation to defend, indemnify and hold harmless shall include, but is not limited to, any action to arbitrate, attack, review, set aside, void or annul this Use Permit approval on any grounds whatsoever. The City of Lodi shall promptly notify the developer of any such claim, action, or proceeding and shall cooperate fully in the defense.
2. The applicant/project proponent and/or property owner and/or developer and/or successors in interest and management shall operate the project in strict compliance with the approvals granted herein, City standards, laws, and ordinances, and in compliance with all State and Federal laws, regulations, and standards. In the event of a conflict between City laws and standards and a State or Federal law, regulation, or standard, the stricter or higher standard

shall control. Material violation of any of those laws in connection with the use may be cause for revocation of this Use Permit.

3. If operation of this use results in conflicts pertaining to parking, noise, traffic, loitering, public safety or other impacts, at the discretion of the Community Development Department, this conditional use permit may be referred to the Planning Commission for subsequent review at a public hearing. If necessary, the Commission may modify or add conditions of approval to mitigate such impacts, or may revoke said conditional use permit bound upon applicable findings.
4. The City Council, Lodi Police Department, the Planning Commission and City staff may, at any time, request that the Planning Commission conduct a hearing on this Use Permit for the purpose of amending or adding new conditions to the Use Permit or to consider revocation of the Use Permit if the Use Permit becomes a serious policing problem.
5. The subject property and its immediate surrounding shall be maintained neat and clean at all times. The subject property and its immediate surrounding shall be maintained free from debris and graffiti at all times. The property owner shall remove any debris or graffiti within 24-hours upon notification by the City. Litter on the site and any litter scattered on nearby property, streets, and sidewalks shall be removed daily. If necessary, the applicant shall steam clean the project site and its immediate surrounding premises as often as needed.
6. In the event of graffiti or other extraneous markings occurring, the applicant/operator and/or successors in interest and management shall remove or cover said markings, drawings, or signage within 24 hours of such occurrence, weather permitting. Paint utilized in covering such markings shall be of a color that matches, as closely as possible, the color of the adjacent surfaces.
7. Any change in operational characteristics, expansion in area or other modification to the approved plans shall require an amendment to this Use Permit or the processing of a new Use Permit.
8. The applicant shall obtain Operational Permits from the Lodi Fire Department, Fire Prevention Bureau. The Operational Permits shall be obtained prior to commencement of sale of alcohol. The Fire Department may be contacted at 25 East Pine Street, Lodi, CA 95240-2127. Phone Number (209) 333-6739.
9. Any fees due the City of Lodi for processing this Project shall be paid to the City within thirty (30) calendar days of final action by the approval authority. Failure to pay such outstanding fees within the time specified shall invalidate any approval or conditional approval granted. No permits, site work, or other actions authorized by this action shall be processed by the City, nor permitted, authorized or commenced until all outstanding fees are paid to the City.
10. No variance from any City of Lodi adopted code, policy or specification is granted or implied by this approval.
11. Rio Valley Charter School shall operate as described below. Substantial changes shall require subsequent review by the Planning Commission:
 - Rio Valley serves students in grades K through 12.
 - Rio Valley Learning Center will serve a total of approximately 300 students, typically 30 to 40 students would be at the facility at one time.
 - Students will come to the learning center during pre-scheduled appointment times and as needed to accomplish their studies.

- The school's typical operational hours will be Mondays – Thursdays, opening at 9:00 am and closing by 3:30 pm, and Fridays from 9:00 am – 12:00 pm.
 - Any special events or activities outside of regularly scheduled hours should not impact Bella Terra Plaza operations.
12. The alley to the south of the building will not be used for student drop off or pick up.
 13. Students will not loiter in the alley or surrounding neighborhoods.
 14. The windows on the second story of the Bella Terra Plaza were originally fogged / screened for residential privacy. These windows need to be restored to original condition prior to charter school occupancy.

Building and Safety

15. Any changes to the existing building, which are regulated by the current codes, shall require a building permit. All plan submittals shall be based on the City of Lodi Building Regulations and currently adopted 2013 California Building code. Please review our policy handouts for specific submittal procedures.
16. The occupancy classification for portions of the existing building will change from an M/B to an E. Verify that this educational occupancy is allowed in the building. Plans to specify and show that in each story, the building area shall be such that the sum of the ratios of the actual building area of each separated occupancy, divided by the allowable building area of each separated occupancy shall not exceed 1. 2013 CBC, Section 508.4.2
17. Plans to specify the occupancies of the adjoining suites. A two hour fire separation (1 hour in sprinklered building) is required between the E occupancy and any B, M or S occupancies to either side and/or above this suite as per 2013 CBC, Section 508.4 and Table 508.4. Plans to provide listing information for the existing horizontal and vertical fire barriers. Or provide complete and adequate construction details and listing information for retrofit of existing walls and floor/ceiling assembly to provide the required fire rated barriers, so as to completely separate the adjacent occupancies. 2013 CBC, Sections 508.4, 707, & 711
18. Plumbing fixtures shall be provided for the type of occupancy and in the minimum number specified by 2013 CPC, Table 422.1. Plumbing occupant load shall be calculated using the plumbing occupant load factor specified by 2013 CPC Table A for each area use. The required number of plumbing fixtures (water closets, urinals, lavatories and drinking fountains) shall be provided, as specified for the occupancies by 2013 CPC, Table 422.1.
19. All buildings housing a Group E occupancy shall front directly on a public street or an exit discharge (sidewalk) not less than 20' in width to a public street. The exit discharge shall be unobstructed and maintained only as access to the public street. At least one required exit shall be on the public street or exit discharge. The exit discharge is to be accessible. 2013 CBC, Section 442.1.1
20. Any new doors or newly required entrance or exit doors are required to be accessible. The 2013 CBC, Section 11B-206.4.1 requires all entrances and ground-floor exit doors to building and facilities shall be accessible to persons with disabilities and shall be connected by an accessible route to the public way. Plans to specify and show the accessible path of travel from any new door(s) to the public way or to an area of safe dispersal in compliance with 2013 CBC, Section 1027.5, Exception.
21. Plans to specify walkways and sidewalks along accessible routes of travel (1) are continuously accessible, (2) have maximum 1/2" changes in elevation, (3) are minimum 48" in width, (4) have a maximum 2% cross slope, and (5) where necessary to change elevation at a slope

exceeding 5% (i.e., 1:20) shall have ramps complying with 2013 CBC, Section 11B-405 or 11B-406 as appropriate. Where a walk crosses or adjoins a vehicular way, and the walking surfaces are not separated by curbs, railings or other elements between the pedestrian areas and vehicular areas shall be defined by a continuous detectable warning which is 36" wide, complying with 2013 CBC, Sections 11B-247.1.2.5 & 11B-705.1.2.5.

22. If the calculated occupant load for any area of the building exceeds 49, the plans shall show:
- a) A minimum of two (2) exits that are separated by a minimum of 1/2 (1/3 in sprinklered buildings) of the diagonal distance of the area served. 2013 CBC, Section 1015.2.1
 - b) Exit doors shall swing in the direction of egress travel. 2013 CBC, Section 1008.1.2
 - c) The exit doors and exit access doors shall be equipped with panic hardware. 2013 CBC, Section 1008.1.10
 - d) A means of illuminating the egress path of travel in case of power failure, including path to the egress doors, the corridor and the exterior landings. The emergency power system shall provide backup power for the duration of at least 90 minutes and shall illuminate the path of travel at the rate of an average of 1 foot candle at floor level. 2013 CBC, Sections 1006.1 thru 1006.3.1
 - e) Show locations of required illuminated exit signs. 2013 CBC, Section 1011
 - f) Provide complete and adequate details and locations of the required tactile exit signs at the following locations:
 1. Each grade-level exterior exit door shall be identified by a tactile exit sign with the word, "EXIT."
 2. Each exit access door from an interior room or area that is required to have a visual exit sign, shall be identified by a tactile exit sign with the words, "EXIT ROUTE." 2013 CBC, Section 1011.4
23. It appears that the building is equipped with fire sprinklers. Any alteration to the existing Fire Sprinkler system shall be submitted under a separate permit and cover to the Building Department by a C-16 licensed contractor.
24. A manual and automatic fire alarm system is required in group E occupancies with an occupant load of 50 or more persons or contains more than 1 classroom or 1 or more rooms used for day care. New Fire Alarm System or any alterations to the existing Fire Alarm System shall be submitted under a separate permit and cover to the Building Department by a C-10 licensed fire alarm contractor. 2013 CFC, Section 907.2.3
25. The plans show three new doors openings cut into CMU wall located between Suites #10 and #11. Building Permit #14,418A, for the original building identifies the wall as a 2 hour fire rated area separation wall required for increased allowable area. Plans to specify and show the door openings shall not exceed 25% of the wall area and minimum 1 1/2 hour fire rated doors will be installed. 2013 CBC, Sections 706.4, 706.8, 716.5 & Tables 706.4, 716.5
26. The California Building Code (Title 24 Section 11B-202) requires that existing buildings, when alterations are made, shall be verified for compliance with disabled access requirements. These requirements shall apply only to the specific area of alteration and shall include an accessible entrance, an accessible route to the altered area, at least one accessible restroom for each sex, telephones and drinking fountains (if existing), and when possible additional items such as parking, storage and alarms.

If the construction costs of the alterations to the building are less than the current valuation threshold of \$139,934.00 and if the cost of the above listed accessibility upgrades are disproportionate (exceeds 20% of the project without the upgrades), then the required accessibility upgrades may be provided to the extent that is proportionate (20% of the valuation) as per 2013 CBC, Section 11B-202.4, Exception 8. In choosing which accessible elements to provide, priority should be given to those elements that will provide the greatest access.

I certify that Resolution No. 16-01 was passed and adopted by the Planning Commission of the City of Lodi at a regular meeting held on January 13, 2016 by the following vote:

AYES: Commissioners: Cummins, Kirsten and Olson

NOES: Commissioners: Kiser, Slater and Chair Heinritz

ABSENT: Commissioners: Hennecke

ATTEST



Secretary, Planning Commission



**CITY OF LODI
PLANNING COMMISSION
Staff Report**

MEETING DATE: January 13, 2016

APPLICATION NO: Use Permit: 2015-40 U

REQUEST: Request for Planning Commission approval of a Use Permit to allow a charter school in an existing tenant space at 1110 Kettleman Lane. (Applicant: Bella Terra Plaza, LLC; File 2015-40 U; CEQA Determination: Exempt per Section 15303)

LOCATION: 1110 W. Kettleman Lane
APN 060-370-01

APPLICANT: Bella Terra Plaza, LLC
c/o Mr. Luis Bolinao
201 Wilshire Blvd, Suite A28
Santa Monica, CA 90401

PROPERTY OWNER: Bella Terra Plaza, LLC
c/o Mr. Luis Bolinao
201 Wilshire Blvd, Suite A28
Santa Monica, CA 90401

RECOMMENDATION

Staff recommends that the Planning Commission approve the Use Permit request of Bella Terra Plaza, LLC to allow a charter school into an existing tenant space at 1110 W. Kettleman, subject to the conditions in the attached resolution.

PROJECT/AREA DESCRIPTION

General Plan Designation: Mixed Use Corridor
Zoning Designation: PD (15) Planned Development
Property Size: 3.54 acres

The adjacent zoning and land use characteristics:

	ADJACENT ZONING DESIGNATIONS AND LAND USES		
	GENERAL PLAN	ZONING CLASSIFICATION	EXISTING LAND USE
North	Mixed Use Corridor	Mixed Use Corridor	offices
South	Low Density Residential	PD(15) Low Density Residential	Single family residences
East	Mixed Use Corridor	PD(15) Commercial	commercial businesses
West	Mixed Use Corridor	PD(15) Commercial	commercial businesses

REQUEST

Bella Terra Plaza, LLC is requesting a Use Permit for existing Suites 9, 10 and 11 totaling 7,000 sq ft.

The tenant space previous contained a health club and karate studio.

Rio Valley Charter School is a public charter school authorized by the Lodi Unified School District. The Charter School offers an alternative to traditional schooling and utilizes independent home schooling. Students do most of their schooling at home, coming to the site only for scheduled one-on-one meetings with credentialed teachers, as well as tutoring and small group workshops.

- Rio Valley serves students in grades K through 12.
- Rio Valley will serve a total of approximately 300 students, but no more than 30 to 40 students would be at the facility at one time.
- Students will only come to the learning center during pre-scheduled appointment times.
- The school's operational hours will be Mondays – Thursdays, opening at 9:00 am and closing by 3:30 pm, and Fridays from 9:00 am – 12:00 pm.
- The school would need approximately 45 to 50 parking spaces at peak demand.

The Rio Valley Charter School currently operates at 1530 W. Kettleman Lane and has for the past three and a half years. The current charter school is comprised of 2 tenant spaces that are separated by a mortgage company.

The Charter school is looking to consolidate the use into one space for efficiency. The Bella Terra plaza also offers retail spaces that can complement the school use including restaurants and a health club for physical education activities.

ANALYSIS

The discretionary Use Permit procedure enables Planning and other city staff to impose conditions designed to avoid, minimize or mitigate potentially adverse effects of a certain use upon the community or other properties in the vicinity. Staff believes that the Planning Commission can make the required findings, in accordance with Lodi Development Code § 17.40.040(F), to approve the requested Use Permit. The required findings are as follows:

1. *The proposed use is allowed with a Use Permit within the applicable zoning district and complies with all applicable provisions of this Development Code.* **Comment:** The existing Terra Bella Plaza is zoned PD (15), the underlying designation is general commercial. A school is allowed subject to a use permit in this zone. The project has been conditioned to be consistent with the zoning code and the use will not be detrimental to the welfare of persons or properties working, residing, or otherwise existing in the adjacent neighborhood areas.
2. *The proposed use is consistent with the General Plan and any applicable specific plan.* **Comment:** The General Plan land use designation for the project site is Mixed Use Corridor, which permits the proposed use. The conditions for the restriction of the conditional use are consistent with the General Plan, will not affect neighborhood compatibility; and will not cause the operation of the conditional use to be detrimental to the welfare of persons or properties working, residing, or otherwise existing in the adjacent neighborhood areas.

3. *The location, size, design and operating characteristics of the use or development is compatible with and shall not adversely affect or be materially detrimental to the health, safety, or welfare of persons residing or working in the area, or be detrimental or injurious to public or private property or improvements.* **Comment:** There are no proposed changes to the site and the proposed use is consistent with the Zoning Code and the General Plan policies. As such, the subject site is adequate in size and shape to accommodate the proposed use within a commercial area with all the required off-street parking provided on the subject site. Further, the project will not have a negative effect on the public health, safety, or welfare; or be materially injurious to persons, properties or improvements in the vicinity.

4. *The location, size, design, and operating characteristics of the proposed use is compatible with the existing and future land uses in the vicinity.* **Comment:** The existing use complies with all requirements as set forth for the issuance of a Use Permit, in that the site is adequate in size, shape and topography for the proposed use, consisting of an existing building. Second, the site is located in a commercial area that is accessible from public streets. Existing street networks are adequate in size and shape to accommodate the quantity and quality of traffic generated by the proposed use without any significant impacts to the street system. Third, the proposed use, as conditioned, will not have an adverse effect upon the use, enjoyment or valuation of property in the neighborhood because the proposed use will be located within an existing facility and no expansion is proposed.

5. *The proposed project is in compliance with the California Environmental Quality Act (CEQA) and the Lodi Environmental Review Guidelines.* **Comment:** The project is found to be categorically exempt from CEQA review under 14 CCR §15303. Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure and is consistent with the applicable general plan designation and all applicable general plan policies as well as with the applicable zoning designation and regulations and would not result in any significant effects relating to traffic, noise, air quality, or water quality, and the site of the proposed project can be adequately served by all required utilities and public services.

Staff believes the Commission can make the required findings to approve the Use Permit as proposed. In staff's opinion, the proposed modification would not produce any adverse impacts on the adjacent properties in terms of noise, parking, litter, disorderly behavior, or other objectionable influences. The permit is conditioned to mitigate typical concerns related to traffic and parking associated with a school. If, in the future, concerns arise, and the Director/Police Department determines it necessary, the Use Permit can be subject to review by the Planning Commission to consider the business's operation for compliance with the conditions of the Use Permit.

ENVIRONMENTAL ASSESSMENT:

The project is found to be categorically exempt from CEQA review under 14 CCR §15303. Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure and is consistent with the applicable general plan designation and all applicable general plan policies as well as with the applicable zoning designation and regulations and would not result in any significant effects relating to traffic, noise, air quality, or water quality,

and the site of the proposed project can be adequately served by all required utilities and public services.

PUBLIC HEARING NOTICE:

Legal Notice for the Use Permit was published in the Lodi News Sentinel on Saturday, January 2, 2016. Sixty-two (62) public hearing notices were sent to all property owners of record within a 300-foot radius of the project site as required by California State Law §65091 (a) 3. Public notice also was mailed to interested parties who expressed their interest of the project.

RECOMMENDED MOTIONS

Should the Planning Commission agree with staff’s recommendation, the following motion is suggested:

“I move that the Planning Commission adopt a Resolution finding that the project is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15303, and adopt a Resolution approving the Use Permit to allow the Rio Valley Charter School in an existing tenant space at 1110 W. Kettleman Lane subject to the findings and conditions of approval contained in the draft Resolution.”

ALTERNATIVE PLANNING COMMISSION ACTIONS:

- Approve the request with attached or alternate conditions
- Deny the request
- Continue the request.

Respectfully Submitted,

Concur,

Craig Hoffman
Senior Planner

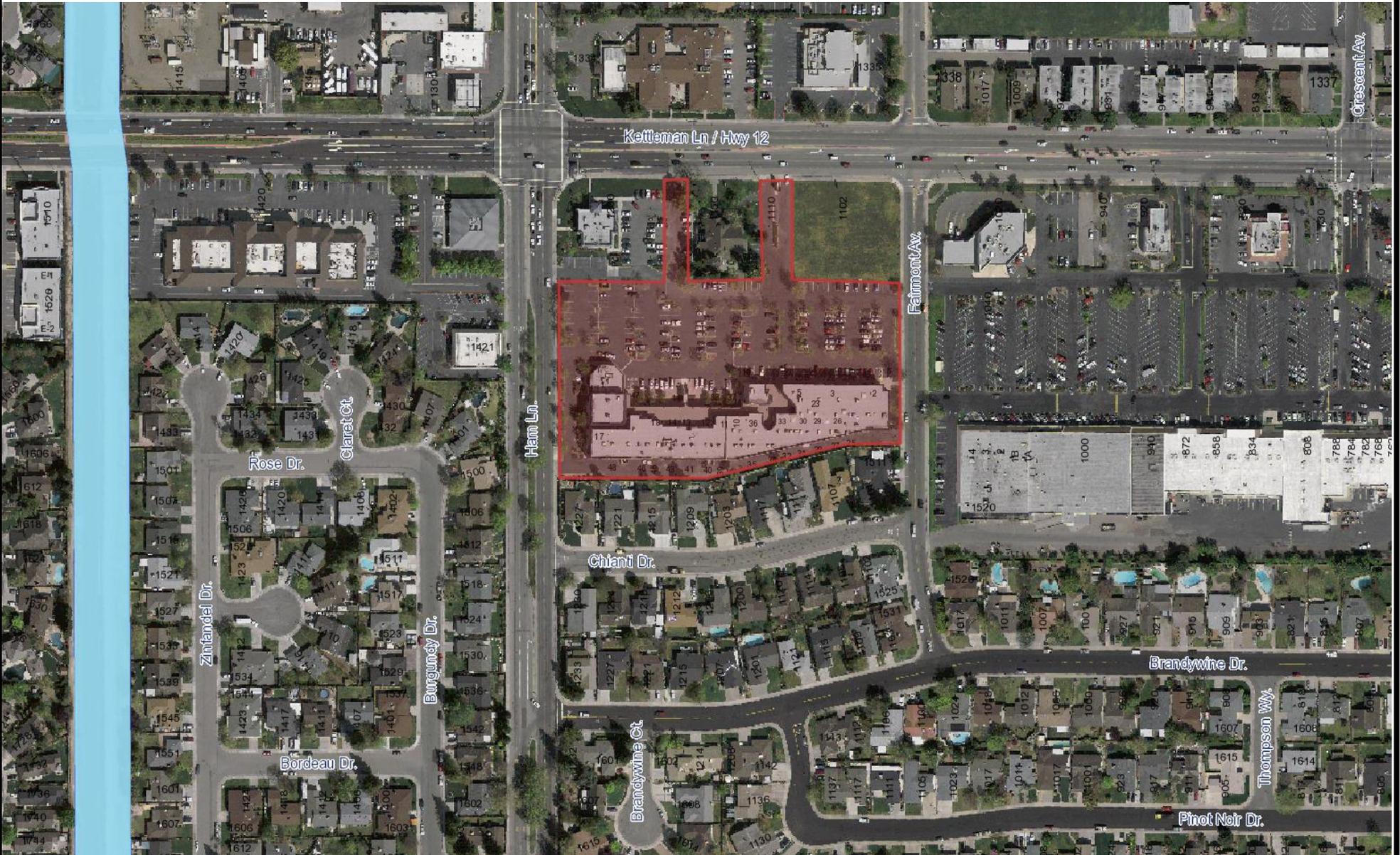
Stephen Schwabauer
Community Development Director

ATTACHMENTS:

- A. Vicinity / Aerial Map
- B. Floor plans
- C. Draft Resolution

VICINITY MAP

North

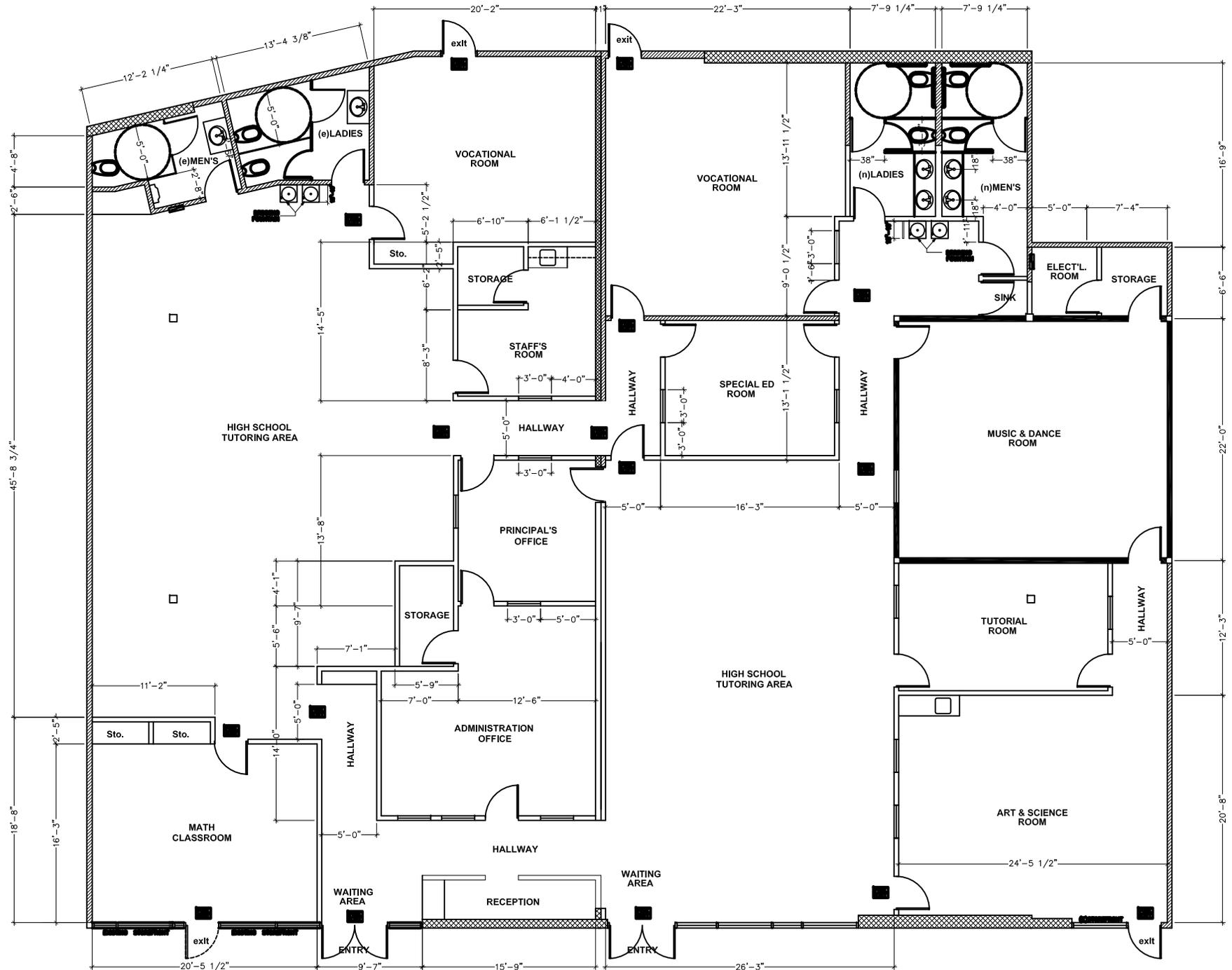


South

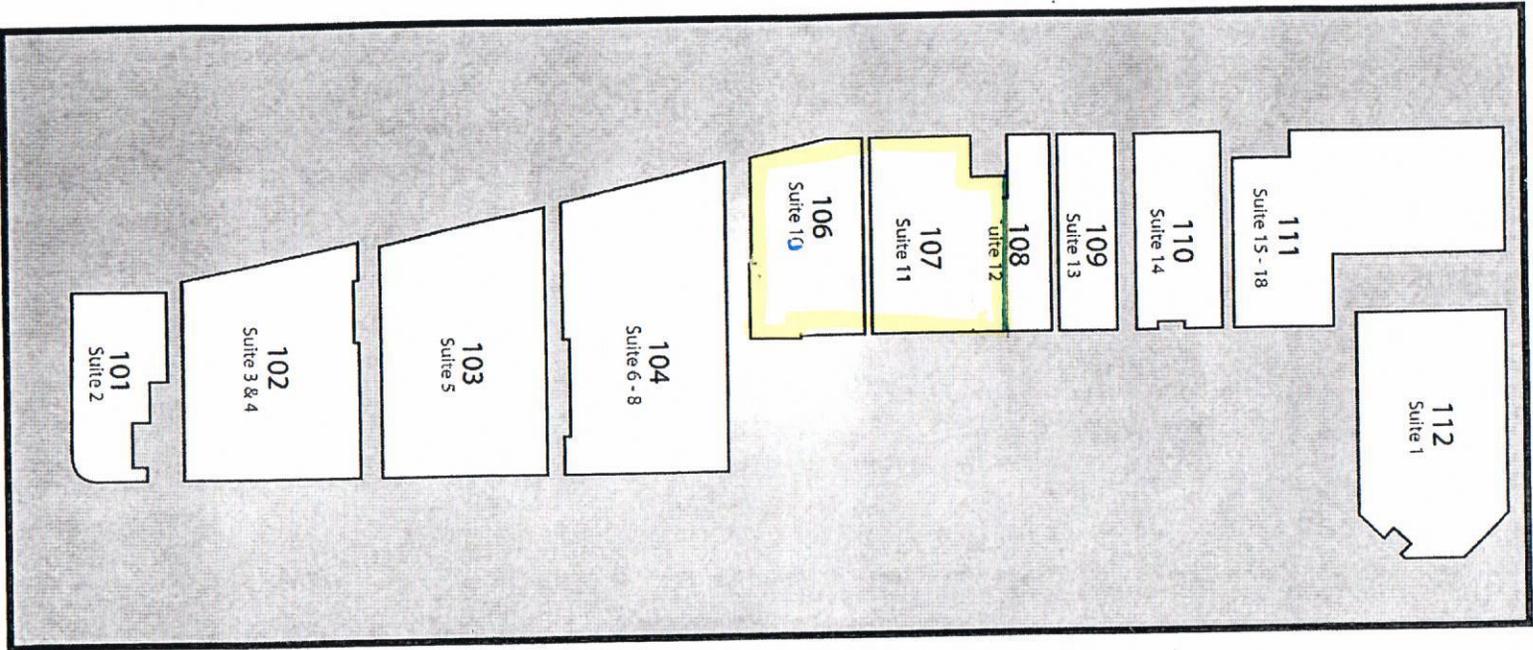
1110 Kettleman Lane

RIO VALLEY CHARTER LEARNING CENTER

1110 West Kettleman Lane, Units 9,10 &11 Bella Terra Paza, Lodi CA



FLOOR PLAN



First Floor

Bella Terra Plaza

Site Plan

Item 3a - Blue Sheet

January 7, 2016

City of Lodi Planning Commission
Attn: Craig Hoffman
Lodi Planning Division

Re: Use Permit to allow a charter school at 1110 Kettleman Lane

Dear Craig,

A Notice of Public Hearing to consider a request for Planning Commission approval of a use Permit to allow a charter school in an existing tenant space at 1110 Kettleman Lane was sent to our neighborhood. Applicant Bella Terra Plaza, LLC; File 2015-40 U; CEQA Determination: Exempt per Section 15303. We have concerns about the school and would like to express them in this letter. If stipulations could be included in the use permit to ease our concerns it would be greatly appreciated. Our requests are as follows:

1. There will be no access to the school through the alley doorways.
No student drop-offs in the alley.
2. The students will not be allowed in the alley at anytime.
3. There will be no loitering in the surrounding neighborhoods.

We also have concerns about the building maintenance. We have gone before the Commission when the building was originally approved. The windows on the second story are all supposed to be obscured glass with only the top panel opening. There is now a Yoga studio with a clear glass window that is open most of the business hours. There is also a sliding glass door that was installed during remodeling that is still there. If someone were to step out they would fall directly to the ground. There is also construction going on in the alley at all hours and days of the week. Presently there are doors being replaced with clear glass and curbs being poured. We would like to know if permits have been issued for the work and is this planned for alley access. Prior to the construction the doors were solid metal and used for delivery only. We would also like the following stipulation included in the use permit and be completed prior to tenant occupancy.

4. All windows are to be replaced on the second story to the original code.

Please let us know if our stipulations will be included in the use permit. Thank you for your help with this matter.

Sincerely,
Linda Bianchi representing
The surrounding Neighborhood of Chianti Drive and Brandywine

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING THE REQUEST OF BELLA TERRA
PLAZA, LLC, FOR A USE PERMIT TO ALLOW THE
RIO VALLEY CHARTER SCHOOL IN AN EXISTING
TENANT SPACE AT 1110 WEST KETTLEMAN LANE

=====

WHEREAS, the City Council of the City of Lodi has heretofore held a duly noticed public hearing, as required by law, on the requested Use Permit, in accordance with Lodi Municipal Code Section 17.74; and

WHEREAS, the project proponents are Bella Terra Plaza, LLC, c/o Mr. Luis Bolinao, 201 Wilshire Boulevard, Suite A28, Santa Monica, California, 90401; and

WHEREAS, the project parcel is owned by Bella Terra Plaza, LLC, c/o Mr. Luis Bolinao, 201 Wilshire Boulevard, Suite A28, Santa Monica, California, 90401; and

WHEREAS, the project is located at 1110 West Kettleman Lane, Lodi, California, 95240 (APN 060-370-01); and

WHEREAS, the property has a General Plan designation of Mixed Use Corridor and is zoned Planned Development (15); and

WHEREAS, a charter school requires the approval of a Use Permit by the Planning Commission / City Council; and

WHEREAS, based upon the facts and analysis presented in the staff report and on public testimony received and subject to the conditions of approval listed below, the City Council finds that the establishment, maintenance or operation for the requested use or building applied for, will not, under the circumstances of this particular case, be detrimental to the health, safety, morals, comfort, convenience and general welfare of the persons residing or working in the neighborhood of such proposed use, or be injurious or detrimental to property and improvements in the neighborhood or to the general welfare of the City; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred; and

Based upon the evidence within the staff report and project file, the City Council finds:

1. The project is found to be categorically exempt from CEQA review under 14 CCR §15303. Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure and is consistent with the applicable general plan designation and all applicable general plan policies, as well as with the applicable zoning designation and regulations, and would not result in any significant effects relating to traffic, noise, air quality, or water quality, and the site of the proposed project can be adequately served by all required utilities and public services.
2. The existing Bella Terra Plaza is zoned PD (15), the underlying designation is general commercial. A school is allowed subject to a Use Permit in this zone. The project has been conditioned to be consistent with the zoning code and the use will not be detrimental

to the welfare of persons or properties working, residing, or otherwise existing in the adjacent neighborhood areas.

3. The General Plan land use designation for the project site is Mixed Use Corridor, which permits the proposed use. The conditions for the restriction of the conditional use are consistent with the General Plan; will not affect neighborhood compatibility; and will not cause the operation of the conditional use to be detrimental to the welfare of persons or properties working, residing, or otherwise existing in the adjacent neighborhood areas.
4. There are no proposed changes to the site and the proposed use is consistent with the Zoning Code and the General Plan policies. As such, the subject site is adequate in size and shape to accommodate the proposed use within a commercial area with all the required off-street parking provided on the subject site. Further, the project will not have a negative effect on the public health, safety, or welfare; or be materially injurious to persons, properties or improvements in the vicinity.
5. The existing use complies with all requirements as set forth for the issuance of a Use Permit, in that the site is adequate in size, shape, and topography for the proposed use, consisting of an existing building.
6. The site is located in a commercial area that is accessible from public streets. Existing street networks are adequate in size and shape to accommodate the quantity and quality of traffic generated by the proposed use without any significant impacts to the street system.
7. The proposed use, as conditioned, will not have an adverse effect upon the use, enjoyment or valuation of property in the neighborhood because the proposed use will be located within an existing facility and no expansion is proposed.
8. The proposed use, as conditioned, will not have an adverse effect upon the use, enjoyment or valuation of property in the neighborhood because the proposed use will be located within an existing building with no additions to the footprint of the building.
9. The proposed use would not have a substantial adverse economic effect on nearby uses because operation of a charter school in accordance with applicable laws and under the conditions of this Use Permit is anticipated to be an economic benefit to the community.
10. The proposed use can be compatible with the surrounding use and neighborhood if the business is conducted properly and if the Applicant/Operator works with neighboring businesses and residents to resolve any problems that may occur.

NOW, THEREFORE, BE IT DETERMINED AND RESOLVED by the City Council of the City of Lodi that Use Permit Application No. 2015-40 is hereby approved, subject to the following conditions:

Community Development-Planning

1. The applicant/project proponent and/or property owner and/or developer and/or successors in interest and management shall, at their sole expense, defend, indemnify and hold harmless the City of Lodi, its agents, officers, directors, and employees, from and against all claims, actions, damages, losses, or expenses of every type and description, including but not limited to payment of attorneys' fees and costs, by reason of, or arising out of, this Use Permit approval. The obligation to defend, indemnify and hold harmless shall include, but is not limited to, any action to arbitrate, attack, review, set aside, void, or annul this Use Permit

approval on any grounds whatsoever. The City of Lodi shall promptly notify the developer of any such claim, action, or proceeding and shall cooperate fully in the defense.

2. The applicant/project proponent and/or property owner and/or developer and/or successors in interest and management shall operate the project in strict compliance with the approvals granted herein, City standards, laws, and ordinances, and in compliance with all State and Federal laws, regulations, and standards. In the event of a conflict between City laws and standards and a State or Federal law, regulation, or standard, the stricter or higher standard shall control. Material violation of any of those laws in connection with the use may be cause for revocation of this Use Permit.
3. If operation of this use results in conflicts pertaining to parking, noise, traffic, loitering, public safety or other impacts, at the discretion of the Community Development Department, this conditional Use Permit may be referred to the Planning Commission for subsequent review at a public hearing. If necessary, the Commission may modify or add conditions of approval to mitigate such impacts, or may revoke said conditional Use Permit bound upon applicable findings.
4. The City Council, Lodi Police Department, the Planning Commission and City staff may, at any time, request that the Planning Commission conduct a hearing on this Use Permit for the purpose of amending or adding new conditions to the Use Permit or to consider revocation of the Use Permit if the Use Permit becomes a serious policing problem.
5. The subject property and its immediate surrounding area shall be maintained neat and clean at all times. The subject property and its immediate surrounding area shall be maintained free from debris and graffiti at all times. The property owner shall remove any debris or graffiti within 24 hours upon notification by the City. Litter on the site and any litter scattered on nearby property, streets, and sidewalks shall be removed daily. If necessary, the applicant shall steam clean the project site and its immediate surrounding premises as often as needed.
6. In the event of graffiti or other extraneous markings occurring, the applicant/operator and/or successors in interest and management shall remove or cover said markings, drawings, or signage within 24 hours of such occurrence, weather permitting. Paint utilized in covering such markings shall be of a color that matches, as closely as possible, the color of the adjacent surfaces.
7. Any change in operational characteristics, expansion in area or other modification to the approved plans shall require an amendment to this Use Permit or the processing of a new Use Permit.
8. The applicant shall obtain Operational Permits from the Lodi Fire Department, Fire Prevention Bureau. The Fire Department may be contacted at 210 West Elm Street, Lodi, California, 95240, telephone number (209) 333-6739.
9. Any fees due the City of Lodi for processing this Project shall be paid to the City within thirty (30) calendar days of final action by the approval authority. Failure to pay such outstanding fees within the time specified shall invalidate any approval or conditional approval granted. No permits, site work, or other actions authorized by this action shall be processed by the City, nor permitted, authorized or commenced until all outstanding fees are paid to the City.
10. No variance from any City of Lodi adopted code, policy or specification is granted or implied by this approval.

11. Rio Valley Charter School shall operate as described below. Substantial changes shall require subsequent review by the Planning Commission:
 - Rio Valley Charter School serves students in grades K through 12.
 - Rio Valley Learning Center will serve a total of approximately 300 students; typically 30 to 40 students would be at the facility at one time.
 - Students will come to the learning center during pre-scheduled appointment times and as needed to accomplish their studies.
 - The school's typical operational hours will be Mondays – Thursdays, opening at 9:00 a.m. and closing by 3:30 p.m., and Fridays from 9:00 a.m. – 12:00 p.m.
 - Any special events or activities outside of regularly-scheduled hours should not impact Bella Terra Plaza operations.
12. The alley to the south of the building will not be used for student drop off or pick up.
13. Students will not loiter in the alley or surrounding neighborhoods.
14. The windows on the second story of the Bella Terra Plaza were originally fogged / screened for residential privacy. These windows need to be restored to original condition prior to charter school occupancy.

Building and Safety

15. Any changes to the existing building, which are regulated by the current codes, shall require a building permit. All plan submittals shall be based on the City of Lodi Building Regulations and currently adopted 2013 California Building code. Policy handouts provide specific submittal procedures.
16. The occupancy classification for portions of the existing building will change from an M/B to an E. Verify that this educational occupancy is allowed in the building. Plans to specify and show that in each story, the building area shall be such that the sum of the ratios of the actual building area of each separated occupancy, divided by the allowable building area of each separated occupancy shall not exceed 1. 2013 CBC, Section 508.4.2.
17. Plans shall specify the occupancies of the adjoining suites. A two-hour fire separation (one-hour in sprinklered building) is required between the E occupancy and any B, M or S occupancies to either side and/or above this suite as per 2013 CBC, Section 508.4 and Table 508.4. Plans shall provide listing information for the existing horizontal and vertical fire barriers, or provide complete and adequate construction details and listing information for retrofit of existing walls and floor/ceiling assembly to provide the required fire rated barriers, so as to completely separate the adjacent occupancies. 2013 CBC, Sections 508.4, 707, & 711.
18. Plumbing fixtures shall be provided for the type of occupancy and in the minimum number specified by 2013 CPC, Table 422.1. Plumbing occupant load shall be calculated using the plumbing occupant load factor specified by 2013 CPC Table A for each area use. The required number of plumbing fixtures (water closets, urinals, lavatories and drinking fountains) shall be provided, as specified for the occupancies by 2013 CPC, Table 422.1.
19. All buildings housing a Group E occupancy shall front directly on a public street or an exit discharge (sidewalk) not less than 20 feet in width to a public street. The exit discharge shall be unobstructed and maintained only as access to the public street. At least one required exit shall be on the public street or exit discharge. The exit discharge is to be accessible. 2013 CBC, Section 442.1.1

20. Any new doors or newly-required entrance or exit doors are required to be accessible. The 2013 CBC, Section 11B-206.4.1 requires all entrances and ground-floor exit doors to building and facilities shall be accessible to persons with disabilities and shall be connected by an accessible route to the public way. Plans to specify and show the accessible path of travel from any new door(s) to the public way or to an area of safe dispersal in compliance with 2013 CBC, Section 1027.5, Exception.
21. Plans to specify walkways and sidewalks along accessible routes of travel (1) are continuously accessible, (2) have maximum ½ inch changes in elevation, (3) are minimum 48 inches in width, (4) have a maximum 2 percent cross slope, and (5) where necessary to change elevation at a slope exceeding 5 percent (i.e., 1:20) shall have ramps complying with 2013 CBC, Section 11B-405 or 11B-406 as appropriate. Where a walk crosses or adjoins a vehicular way, and the walking surfaces are not separated by curbs, railings or other elements between the pedestrian areas and vehicular areas shall be defined by a continuous detectable warning which is 36 inches wide, complying with 2013 CBC, Sections 11B-247.1.2.5 & 11B-705.1.2.5.
22. If the calculated occupant load for any area of the building exceeds 49, the plans shall show:
- a) A minimum of two (2) exits that are separated by a minimum of 1/2 (1/3 in sprinklered buildings) of the diagonal distance of the area served. 2013 CBC, Section 1015.2.1.
 - b) Exit doors shall swing in the direction of egress travel. 2013 CBC, Section 1008.1.2.
 - c) The exit doors and exit access doors shall be equipped with panic hardware. 2013 CBC, Section 1008.1.10.
 - d) A means of illuminating the egress path of travel in case of power failure, including path to the egress doors, the corridor and the exterior landings. The emergency power system shall provide backup power for the duration of at least 90 minutes and shall illuminate the path of travel at the rate of an average of 1 foot candle at floor level. 2013 CBC, Sections 1006.1 thru 1006.3.1.
 - e) Show locations of required illuminated exit signs. 2013 CBC, Section 1011.
 - f) Provide complete and adequate details and locations of the required tactile exit signs at the following locations:
 - 1. Each grade-level exterior exit door shall be identified by a tactile exit sign with the word, "EXIT."
 - 2. Each exit access door from an interior room or area that is required to have a visual exit sign, shall be identified by a tactile exit sign with the words, "EXIT ROUTE." 2013 CBC, Section 1011.4.
23. It appears that the building is equipped with fire sprinklers. Any alteration to the existing fire sprinkler system shall be submitted under a separate permit and cover to the Building Department by a C-16 licensed contractor.
24. A manual and automatic fire alarm system is required in group E occupancies with an occupant load of 50 or more persons or contains more than one classroom or one or more rooms used for day care. New Fire Alarm System or any alterations to the existing Fire

Alarm System shall be submitted under a separate permit and cover to the Building Department by a C-10 licensed fire alarm contractor. 2013 CFC, Section 907.2.3.

- 25. The plans show three new doors openings cut into CMU wall located between Suites No. 10 and No. 11. Building Permit No. 14,418A, for the original building identifies the wall as a two-hour fire rated area separation wall required for increased allowable area. Plans to specify and show the door openings shall not exceed 25 percent of the wall area and minimum 1½-hour fire rated doors will be installed. 2013 CBC, Sections 706.4, 706.8, 716.5 & Tables 706.4, 716.5.
- 26. The California Building Code (Title 24 Section 11B-202) requires that existing buildings, when alterations are made, shall be verified for compliance with disabled access requirements. These requirements shall apply only to the specific area of alteration and shall include an accessible entrance, an accessible route to the altered area, at least one accessible restroom for each sex, telephones and drinking fountains (if existing), and when possible, additional items such as parking, storage and alarms.

If the construction costs of the alterations to the building are less than the current valuation threshold of \$139,934.00 and if the cost of the above listed accessibility upgrades are disproportionate (exceeds 20 percent of the project without the upgrades), then the required accessibility upgrades may be provided to the extent that is proportionate (20 percent of the valuation) as per 2013 CBC, Section 11B-202.4, Exception 8. In choosing which accessible elements to provide, priority should be given to those elements that will provide the greatest access.

Dated: February 17, 2016

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I hereby certify that Resolution No. 2016-____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL
DENYING THE REQUEST OF BELLA TERRA
PLAZA, LLC, FOR A USE PERMIT TO ALLOW THE
RIO VALLEY CHARTER SCHOOL IN AN EXISTING
TENANT SPACE AT 1110 WEST KETTLEMAN LANE

=====

WHEREAS, the City Council of the City of Lodi has heretofore held a duly noticed public hearing, as required by law, on the requested Use Permit, in accordance with Lodi Municipal Code Section 17.74; and

WHEREAS, the project proponents are Bella Terra Plaza, LLC, c/o Mr. Luis Bolinao, 201 Wilshire Boulevard, Suite A28, Santa Monica, California, 90401; and

WHEREAS, the project parcel is owned by Bella Terra Plaza, LLC, c/o Mr. Luis Bolinao, 201 Wilshire Boulevard, Suite A28, Santa Monica, California, 90401; and

WHEREAS, the project is located at 1110 West Kettleman Lane, Lodi, California, 95240 (APN 060-370-01); and

WHEREAS, the property has a General Plan designation of Mixed Use Corridor and is zoned Planned Development (15); and

WHEREAS, a charter school requires the approval of a Use Permit by the Planning Commission and City Council; and

WHEREAS, the Lodi City Council conducted the public hearing at the time and place stated in the notice and afforded all persons interested in the matter of the Use Permit, or in any matter or subject related thereto, an opportunity to appear before the Council and be heard and to submit any testimony or evidence in favor of or against the granting of the permit; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lodi does hereby incorporate the staff report and attachments, project file, testimony presented at the time of the hearing, and written comments, on this matter, and makes the following findings:

1. The project is found to be categorically exempt from CEQA review under 14 CCR §15303. Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure and is consistent with the applicable general plan designation and all applicable general plan policies, as well as with the applicable zoning designation and regulations, and would not result in any significant effects relating to traffic, noise, air quality, or water quality, and the site of the proposed project can be adequately served by all required utilities and public services.
2. The existing Bella Terra Plaza is zoned PD (15), the underlying designation is general commercial. A school is allowed subject to a Use Permit in this zone. The Bella Terra retail center includes a number of adult uses that are not compatible with the proposed charter school use. Several restaurants serve alcohol and could create incompatible uses with underage students and drinking adults.

3. The General Plan land use designation for the project site is Mixed Use Corridor, which permits a diversity of uses. The Bella Terra Plaza includes a wide range of retail and service uses. These uses are not necessarily compatible with the proposed charter school use.
4. The surrounding residential neighborhood has voiced many concerns about student loitering in the neighborhood and the potential to incompatible residential uses and the charter school
5. Concerns were raised about the current condition of the property involving a leaking building and the potential for school children to be placed within a structure that could cause future health and respiratory problems.
6. The current building configuration does not front directly on a public street or an alternative exit discharge (sidewalk) not less than 20 feet in width to a public street. The lack of direct public accessibility limits this use on the property and would restrict a school use.
7. The proposed use may potentially have an adverse effect upon the use, enjoyment or valuation of property in the neighborhood because compatibility issues have been raised that have not been answered or found conditions to mitigate.
8. The proposed use may have a substantial adverse economic effect on nearby commercial tenants by introducing a charter school use that may create a conflict with existing commercial patrons.

BE IT FURTHER RESOLVED that the Lodi City Council does hereby deny the request of Rio Valley Charter School for a conditional Use Permit for the Rio Valley Charter School in an existing tenant space at 1110 West Kettleman Lane, Lodi, California.

Dated: February 17, 2016

=====

I hereby certify that Resolution No. 2016-____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

JENNIFER M. FERRAILOLO
City Clerk



318 W. PINE STREET • LODI, CA 95240 • 209-369-5535

RECEIVED
FEB 9 2 13
CITY CLERK

Dear City Council,

February 1, 2016

I am writing to you in reference to a Planning Commission meeting of January 13, 2016.

At this meeting we reviewed the request of Rio Valley Charter School to relocate into the Terra Bella Shopping Center. As you know, it was not approved and they are in the process of appealing our decision.

Prior to the meeting, I as Chairman went to our legal counsel and suggested a postponement due to a legal issue I had questions about. That was declined and we proceeded.

My concern is alcohol, Ordinance 23789, see attached. According to our legal staff this situation is backwards from the way the ordinance is written. He states the "Letter of the Law" is, if a school or children facility is already in place then an alcohol license cannot be issued within 600 feet of the "existing" facility. In this case there are 4 liquor licenses already serving alcohol within 600 feet of the proposed school site.

It seems like the old adage "What comes first the chicken or the egg! I stand on the essence of the law: Alcohol/Children/600 feet, regardless of who is first.

Randy Heinitz
Chairman-Lodi Planning Commission

Enclosure

Subject: regarding school within close proximity to bar/restaurant
From: Te, Josephine@ABC (Josephine.Te@abc.ca.gov)
To: dhntzrdy@sbcglobal.net;
Date: Thursday, January 14, 2016 11:08 AM

Hi Randy,

Section 23789 of Business and Professions Code stated:

23789 – On-sale retail license for premises located near church, hospital, schools and public playgrounds, or nonprofit youth facilities

(a) The department is specifically authorized to refuse the issuance, other than renewal or ownership transfer, of any retail license for premises located within the immediate vicinity of churches and hospitals.

(b) The department is specifically authorized to refuse the issuance, other than renewal or ownership transfer, of any retail license for premises located within at least 600 feet of schools and public playgrounds or nonprofit youth facilities, including, but not limited to, facilities serving Girl Scouts, Boy Scouts, or Campfire Girls. This distance shall be measured pursuant to rules of the department.

Hope this helps. Thanks

Josephine Te

Licensing Rep II

Dept of Alcoholic Beverage Control

31 E. Channel St, Room 168

Stockton, CA 95202

(209) 948-7062 direct

(209) 546-7853 fax



**Please immediately confirm receipt
of this fax by calling 333-6702**

CITY OF LODI
P. O. BOX 3006
LODI, CALIFORNIA 95241-1910

ADVERTISING INSTRUCTIONS

SUBJECT: PUBLIC HEARING TO CONSIDER THE APPEAL OF BELLA TERRA
PLAZA / RIO VALLEY CHARTER SCHOOL FOR RECONSIDERATION OF
THE PLANNING COMMISSION PROJECT INDECISION

PUBLISH DATE: SATURDAY, FEBRUARY 6, 2016

LEGAL AD

TEAR SHEETS WANTED: One (1) please

SEND AFFIDAVIT AND BILL TO: JENNIFER M. FERRAILOLO, CITY CLERK
LNS ACCT. #0510052 City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910

DATED: THURSDAY, FEBRUARY 4, 2016

ORDERED BY: JENNIFER M. FERRAILOLO
CITY CLERK

Pamela M. Farris
PAMELA M. FARRIS
DEPUTY CITY CLERK

ELIZABETH BURGOS
ADMINISTRATIVE CLERK

Verify Appearance of this Legal in the Newspaper – Copy to File

LNS _____ Emailed to the Sentinel at dianer@lodinews.com at 9:34(time) on 2/4/16 (date) _____ (pages)
Phoned to confirm receipt of all pages at _____(time) EB PMF (initials)



CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING

Date: February 17, 2016

Time: 7:00 p.m.

For information regarding this notice please contact:

Jennifer M. Ferraiolo
City Clerk
Telephone: (209) 333-6702

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Wednesday, February 17, 2016**, at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

- a) **Consider the Appeal of Bella Terra Plaza / Rio Valley Charter School for Reconsideration of the Planning Commission Project Indecision.**

Information regarding this item may be obtained in the Community Development Department, 221 West Pine Street, Lodi, (209) 333-6711. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 W. Pine Street, 2nd Floor, Lodi, 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk at, or prior to, the public hearing.

By Order of the Lodi City Council:

Jennifer M. Ferraiolo
City Clerk

Dated: February 3, 2016

Approved as to form:

Janice D. Magdich
City Attorney



DECLARATION OF POSTING

PUBLIC HEARING TO CONSIDER THE APPEAL OF BELLA TERRA PLAZA / RIO VALLEY CHARTER SCHOOL FOR RECONSIDERATION OF THE PLANNING COMMISSION PROJECT INDECISION

On Thursday, February 4, 2016, in the City of Lodi, San Joaquin County, California, a Notice of Intention to amend the Conflict of Interest Code of the City of Lodi (attached and marked as Exhibit A), was posted at the following locations:

Lodi City Clerk's Office
Lodi City Hall Lobby
Lodi Carnegie Forum
WorkNet Office

I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 4, 2016, at Lodi, California.

ORDERED BY:

JENNIFER M. FERRAILO
CITY CLERK

A handwritten signature in cursive script that reads "Pamela M. Ferris".

PAMELA M. FARRIS
DEPUTY CITY CLERK

ELIZABETH BURGOS
ADMINISTRATIVE CLERK



CITY OF LODI
Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING

Date: February 17, 2016

Time: 7:00 p.m.

For information regarding this notice please contact:

Jennifer M. Ferraiolo
City Clerk
Telephone: (209) 333-6702

EXHIBIT A

NOTICE OF PUBLIC HEARING

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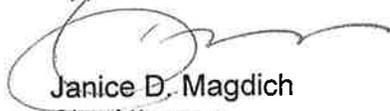
If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk at, or prior to, the public hearing.

By Order of the Lodi City Council:


Jennifer M. Ferraiolo
City Clerk

Dated: February 3, 2016

Approved as to form:


Janice D. Magdich
City Attorney



DECLARATION OF MAILING

PUBLIC HEARING TO CONSIDER THE APPEAL OF BELLA TERRA PLAZA / RIO VALLEY CHARTER SCHOOL FOR RECONSIDERATION OF THE PLANNING COMMISSION PROJECT INDECISION

On Thursday, February 4, 2016, in the City of Lodi, San Joaquin County, California, I deposited in the United States mail, envelopes with first-class postage prepaid thereon, containing a Notice of Public Hearing to Consider the Appeal of Bella Terra Plaza / Rio Valley Charter School for Reconsideration of the Planning Commission Project Indecision, marked Exhibit A. The mailing list for said matter is attached hereto, marked Exhibit B.

There is a regular daily communication by mail between the City of Lodi, California, and the places to which said envelopes were addressed.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 4, 2016, at Lodi, California.

ORDERED BY:

**JENNIFER M. FERRAILOLO
CITY CLERK, CITY OF LODI**


PAMELA M. FARRIS
DEPUTY CITY CLERK

ELIZABETH BURGOS
ADMINISTRATIVE CLERK



CITY OF LODI
Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING
Date: February 17, 2016
Time: 7:00 p.m.

For information regarding this notice please contact:
Jennifer M. Ferraiolo
City Clerk
Telephone: (209) 333-6702

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Wednesday, February 17, 2016**, at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

- a) **Consider the Appeal of Bella Terra Plaza / Rio Valley Charter School for Reconsideration of the Planning Commission Project Indecision.**

Information regarding this item may be obtained in the Community Development Department, 221 West Pine Street, Lodi, (209) 333-6711. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 W. Pine Street, 2nd Floor, Lodi, 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk at, or prior to, the public hearing.

By Order of the Lodi City Council:


Jennifer M. Ferraiolo
City Clerk

Dated: February 3, 2016

Approved as to form:


Janice D. Magdich
City Attorney

EXHIBIT B

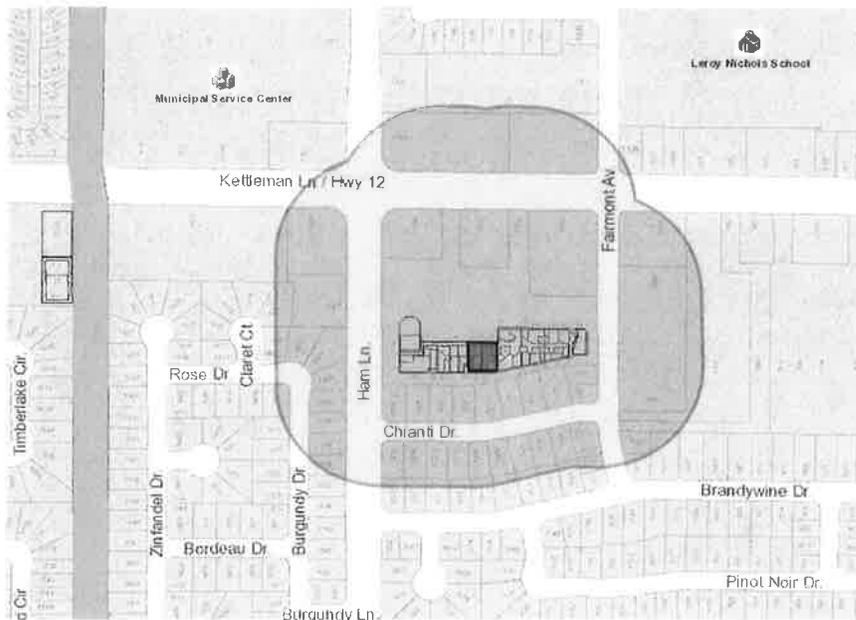
PARCEL	OWNER	ATTN	ADDRESS	CITY	STATE	ZIP
6003008	BAINS, AMRIK S & KIRANDEEP K		1530 BURGUNDY DR	LODI	CA	95242
6003009	ADAM, ARGIRIOS & ELENI		1524 BURGUNDY DR	LODI	CA	95242
6003010	LIRA, CANDIE L ETAL	RAUL H LIRA	1518 S BURGUNDY DR	LODI	CA	95240
6003011	FROEHLER, ALLISON MARIE ETAL		1512 BURGUNDY DR	LODI	CA	95242
6003012	BAUER, GLENN TR		558 FELL ST	SAN FRANCISCO	CA	94102
6003013	BAUER, GLENN TR		2140 W WALNUT ST	LODI	CA	95242
6003014	RICHTER, DONALD M JR & JULIE A		1401 VIN ROSE DR	LODI	CA	95242
6003015	CAHUE, JOSE M & LAURA G		1407 VIN ROSE DR	LODI	CA	95242
6003017	MILLER, JONATHAN		1424 CLARET CT	LODI	CA	95242
6003074	BLANCHARD, ALAN M & CYNTHIA B		1511 BURGUNDY DR	LODI	CA	95242
6005101	HUTMACHER, DOUGLAS D & KERRY J		1227 W CHIANTI DR	LODI	CA	95240
6005102	BIANCHI, ROCKY & LINDA		1221 W CHIANTI DR	LODI	CA	95240
6005103	KLUDT, RICHARD A & PAMELA G TR		PO BOX 2027	LODI	CA	95241
6005104	DEANGELIS, JOANNE		1209 CHIANTI DR	LODI	CA	95240
6005105	UYENO, TSUKASA & H TRS		1203 CHIANTI DRIVE	LODI	CA	95240
6005106	BIRK, JAMES S & CAROL J		1117 W CHIANTI DR	LODI	CA	95242
6005107	STOOPS, RYAN C		1111 CHIANTI DR	LODI	CA	95240
6005108	SHEFFIELD, LYNN & YVONNE		1107 W CHIANTI DR	LODI	CA	95240
6005201	WILLHITE, MICHAEL D & TONJA S		1230 CHIANTI DR	LODI	CA	95240
6005202	SHEFFIELD, RICHARD & SUSAN		1224 CHIANTI DR	LODI	CA	95240
6005203	MERCER, JOHN D		1218 W CHIANTI DR	LODI	CA	95240
6005204	ONSTOTT, MARGIE L		1212 CHIANTI DR	LODI	CA	95240
6005205	SPEAKS, CURTIS E & DAWN M		1206 CHIANTI DR	LODI	CA	95240
6005206	SASAKI, WAYNE & JOYCE		1200 W CHIANTI DR	LODI	CA	95240
6005207	MASUI, JUNE TR		1027 S MILLS AVE	LODI	CA	95242

2/17/16 CC PH 300' Radius mailing list for Rio Vally Charter School at 1110 W. Kettleman Ln

PARCEL	OWNER	ATTN	ADDRESS	CITY	STATE	ZIP
6005208	HICKS, JAMES & EDNA		12849 N ALPINE RD	LODI	CA	95240
6005209	PIERRE, GUYNITH B TR		1108 CHIANTI DR	LODI	CA	95240
6005213	DEVOSS, GERALD K & SHARLENE		1109 BRANDYWINE DR	LODI	CA	95240
6005214	KERLIN, DELRAY & CYNTHIA J TR		1808 AUTUMN WAY	LODI	CA	95242
6005215	FOLEY, ELLEN LUCILLE TR		16970 N DEVRIES RD	LODI	CA	95242
6005216	SCHUFFENHAUER, JACK & DARLEEN		1201 BRANDYWINE DR	LODI	CA	95242
6005217	CANDELARIO, LORENZO & JENNY L		1207 BRANDYWINE DR	LODI	CA	95240
6005218	SIMS, JERRY JR & JENNIFER		1215 BRANDYWINE DR	LODI	CA	95240
6005219	RAY, SHARYLE L		1221 BRANDYWINE DR	LODI	CA	95240
6005220	SIMMS, NADINE C		34784 MEDIDERRA CIR	WINCHESTER	CA	92596
6005221	GAONA, ARTURO AMBRIZ & MARIBEL		1233 BRANDYWINE DR	LODI	CA	95240
6005301	LIAL, MANUEL I & LOREE A		1528 S FAIRMONT AVE	LODI	CA	95240
6005302	RASMUSSEN, ANTON C TR		1017 BRANDYWINE DR	LODI	CA	95240
6005303	RICHARDS, RONALD & VICKIE		1011 W BRANDYWINE DR	LODI	CA	95240
6005211	MAYER, JASON		1103 BRANDYWINE DR	LODI	CA	95242
6005109	SHAH, SAYED MAHBOOB & GULNAZ T		1511 S FAIRMONT AVE	LODI	CA	95240
6005110	BROWN, RUSSELL J & LINDA S		1101 CHIANTI DR	LODI	CA	95240
6003073	HALE, JAMES P & SANDRA M TR		7540 E KETTLEMAN LN	LODI	CA	95240
6005210	JOHNSON, ROSS M & MARIA K D TR		636 CARLO WAY	LODI	CA	95240
6003016	SOROUR, NAGUI N & LAILA		1343 RIVERGATE DR	LODI	CA	95240
3107024	LEE, ELLEN TR		1511 W TOKAY	LODI	CA	95242
6002003	MIYAHARA LLC		2120 COMMODORE DR	SAN JOSE	CA	95133
6002004	WINE COUNTRY PLAZA LLC	FOWLER & HATCH PROPERTIES	PO BOX 576469	MODESTO	CA	95357

2/17/16 CC PH 300' Radius mailing list for Rio Vally Charter School at 1110 W. Kettleman Ln

PARCEL	OWNER	ATTN	ADDRESS	CITY	STATE	ZIP
6002001	WINE COUNTRY PLAZA LLC	FOWLER & HATCH PROPERTIES	PO BOX 576469	MODESTO	CA	95357
6004018	MINER JOAQUIN BUILDING CORP		PO BOX 1110	STOCKTON	CA	95201
6004019	AL SHAMMAS &, DOUMIT PTP		25 CADILLAC DR #134	SACRAMENTO	CA	95825
6004020	LONGS DRUG STORES LLC	CVS #9243-01 ATTN: STORE ACCOU	1 CVS DR MC 2320	WOONSOCKET	RI	2895
6004021	AL SHAMMAS &, DOUMIT PTP		25 CADILLAC DR #134	SACRAMENTO	CA	95825
3107041	KIDDDVILLE LP		856 N SACRAMENTO ST	LODI	CA	95240
3107042	ASHLEY PLACE PTP		1321 S FAIRMONT AVE	LODI	CA	95242
3107032	JENNINGS, SHARON TR		1469 HUMBOLDT RD SUITE 175	CHICO	CA	95928
3107031	SUTTER GOULD MEDICAL FOUNDATIO	FACILITY & PROPERTY SERVICES A	2880 GATEWAY OAKS #220	SACRAMENTO	CA	95833
6037001	BELLA TERRA PLAZA LLC	SHAOU L LEVY	201 WILSHIRE BLVD STE A28	SANTA MONICA	CA	90401
6004001	BENSON, JENNIFER L ETAL		1230 W KETTLEMAN LN	LODI	CA	95240
6004002	COMPASS BANK	S SCOTT SARGENT	15 S 20TH ST STE 1802	BIRMINGHAM	AL	35233
6004005	FARMERS & MERCHANTS BANK		PO BOX 3000	LODI	CA	95241
3104030	MSS PETRO INC		1301 W KETTLEMAN LN	LODI	CA	95242





**CITY OF LODI
COUNCIL COMMUNICATION**

TM

AGENDA TITLE: Monthly Protocol Account Report
MEETING DATE: February 17, 2016
PREPARED BY: City Clerk

RECOMMENDED ACTION: None required, information only.

BACKGROUND INFORMATION: The City Council, at its meeting of July 19, 2000, adopted Resolution No. 2000-126 approving a policy relating to the City's "Protocol Account." As a part of this policy, it was directed that a monthly itemized report of the "Protocol Account" be provided to the City Council.

Attached please find the cumulative report through January 31, 2016.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: See attached.

Jennifer M. Ferraiolo
City Clerk

JMF/PMF

Attachment

APPROVED: _____
Stephen Schwabauer, City Manager



CITY OF LODI COUNCIL COMMUNICATION

TM

AGENDA TITLE: Receive and File City's Annual Financial Report (Fiscal Year 2014/15) by Macias, Gini & O'Connell, LLP

MEETING DATE: February 17, 2016

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive and file the following reports and financial statements submitted by Macias, Gini & O'Connell, LLP and the Internal Services department for Fiscal Year 2014/15:

- The Combined Annual Financial and Single Audit Report
- Management Report
- Report on Applying Agreed-upon Procedures

BACKGROUND INFORMATION: The annual audit was conducted to assure the City Council and other interested parties that the City's financial records and reports are prepared in accordance with generally accepted accounting principles (GAAP), that internal controls are adequate to safeguard the City against loss from unauthorized use or disposition of assets and that the City has complied with all agreements and covenants to obtain grant funds and debt financing. Macias, Gini & O'Connell, LLP (MGO) issued an "unqualified opinion." Scott Brunner, Director of MGO, will be present to answer questions during the meeting.

The reports will be provided to federal and State oversight agencies, bond trustees and insurance companies for their review and evaluation. Copies of the reports are provided to the City Council and are also available to the public by contacting the Financial Services Division or through the City web site at www.lodi.gov and at the Lodi Public Library.

The City received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) for the 22nd year and the California Society of Municipal Finance Officers (CSMFO) for the 16th year in a row. A copy of the GFOA certificate is included in the 2014/15 Financial Reports.

FISCAL IMPACT: By law and good management practice, the City's financial records are audited by independent auditors according to Generally Accepted Auditing Standards. Well maintained financial records are the cornerstone by which the City fulfills its fiduciary responsibilities to the public.

Jordan Ayers
Deputy City Manager

APPROVED: _____
Stephen Schwabauer, City Manager



CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2015

BOB JOHNSON, MAYOR
MARK CHANDLER, MAYOR PRO TEM
DOUG KUEHNE, COUNCILMEMBER
JOANNE MOUNCE, COUNCILMEMBER
ALAN NAKANISHI, COUNCILMEMBER

STEVE SCHWABAUER, CITY MANAGER

Prepared by the Financial Services Division
Ruby Paiste, Financial Services Manager
Derrick Cotten, Supervising Accountant

**CITY OF LODI
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2015**

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**CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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CITY COUNCIL

BOB JOHNSON, Mayor
MARK CHANDLER, Mayor Pro
Tempore
COUNCILMEMBERS:
DOUG KUEHNE
JOANNE MOUNCE
ALAN NAKANISHI

CITY OF LODI
CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6706
FAX (209) 333-6795

STEVE SCHWABAUER
City Manager

JENNIFER FERRAILOLO
City Clerk

JANICE MAGDICH
City Attorney

February 3, 2016

**To the Honorable Mayor, Members of the City Council and the City Manager
of the City of Lodi:**

The Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015, is hereby submitted. This report is provided to present the financial position, changes in financial position, and where applicable, cash flows of the City of Lodi (City) as of and for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America (GAAP). The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management's representations concerning the finances of the City. Consequently, 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 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. We believe that the information is accurate in all material respects, and that it is presented in a manner designed to fairly present the financial position and changes in financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain a full understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

THE REPORTING ENTITY AND SERVICES PROVIDED

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City's financial reporting entity in accordance with GASB Statement No.14, as amended by GASB Statement No. 61.

The City was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected at-large by its voters for four-year terms, with no term limits. Elections are held

in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

The City provides a wide range of municipal services including public safety (police, fire and graffiti abatement), public utilities services (electric, water and wastewater), transportation services (streets, flood control and transit) leisure, cultural and social services (parks and recreation, library and community center), and general government services (management, community development, human resources administration, financial administration, building maintenance and equipment maintenance).

Several municipal services are provided through other government agencies, private companies or public utility companies, including:

	Number of Facilities
Elementary and Secondary Schools	18
Sanitation (solid waste) and Cable Television	3
Ambulance	1
Gas and Telephone	2

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton, 10 miles to the south, and Sacramento, 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 63,719 and is contained in an area of 13.98 square miles. The City has grown steadily since incorporation in 1906. The City’s growth is provided for in both the General Plan and the City’s growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

The City is built on a strong and broad based local economy. The City is known for its Zinfandel wine. It is an authentic dynamic wine region with over 80 wineries within 10 miles of downtown. The employment base is diversified with food processing, packaging, plastic and service industries.

In addition, the City has a wide range of small, financially sound businesses that add to the economic strength of the City. These companies range in size from 10 to 150 employees and produce a wide variety of products, services and commodities.

Over the past several years, there has been an increase in industrial and residential development that has been unprecedented since the early 1980s. This new development combined with the growing strength of the wine/grape industry is a positive indicator for the City. The City’s focus on economic development has encouraged numerous big industries to move to the City that collectively created hundreds of new jobs.

Economic Development

The City continues to be committed to promoting economic development (business retention and attraction) and expanding the tax base to fund City services rather than increase taxes to pay for these services. The City has provided for additional retail sales and commercial activity with approval of new retail developments adjacent to Highway 99 and Harney Lane in the southeast corner of the City, and with a large retail development in the southwest corner of the City. The City is also committed to an Enterprise Zone with San Joaquin County.

MAJOR GOALS, OBJECTIVES AND PROJECTS

To assist the citizens of the City in understanding where the City intends to allocate available resources, the City Council, the City Manager and Department Heads established in 2004 a hierarchy of major aspirational goals, objectives and major projects that support and re-enforce the City's mission statement. Council then set project specific goals at a series of workshops in 2015.

1). Aspirational Goals

Four major City goals were established as policy direction and focal points for the efforts of City staff. These goals include:

- Ensure a High Quality of Life and a Safe Environment for Citizens
- Ensure Efficient and Productive City Organization
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization

City Council, the City Manager and Department Heads established nineteen major City objectives:

- | | |
|---|---|
| Maintain City's Sense of Community | Provide Employee Training and Education |
| Provide for a Balanced Community | Evaluate Telecommunications Opportunities |
| Enhance Access through Implementation of Information Systems Strategic Plan | Provide Resources to Maintain City's Infrastructure |
| Promote Urban Forestry | Promote Public Relations and Marketing Efforts |
| Attract, Retain and Invest in a Quality City Work Force | Ensure Open and Accessible Public Meetings |
| Encourage Public Arts, Cultural and Recreational Opportunities | Pursue Efforts to be Entrepreneurial |
| Provide Appropriate and Sufficient City Facilities | Improve Customer Service |
| Develop Short and Long Range Operational Plans | Continue to use Partnerships to Advance City's Objectives |
| Develop Effective Records Management Program | Provide a Balanced Budget and Adhere to Adopted Policies |
| Promote Commercial/Industrial Base | |

2). Project Specific Goals

Projects represent the foundation of the planning statements for the City. These projects are designed to accomplish specific objectives and become the focus for organization-wide effort. Council set the following priorities and categories in 2015:

- Economic development for "shovel ready" land
- Economic development and incentive program to focus on underutilized parcels
- Public Safety, Gang Reduction Intervention Program, training and increase in staffing

Fiscal sustainability, asset preservation, CALPERS and Other Post-Employment Benefits
East side rehabilitation, incentive programs and infrastructure

Additional priorities that did not fit into the above categories include 1) addressing homelessness issues, 2) providing downtown Wi-Fi and music and 3) beautification of highway overpasses.

As discussed above, economic revitalization continued to be an active focal point of the City in 2014-15. The following projects are underway and will see significant progress or be completed in 2014 or 2015.

Fire Station #2

The City awarded a \$4.2 million construction contract in August 2014 for building a replacement for the existing Fire Station #2. Construction is substantially complete and the new building will be occupied in January 2016.

Lodi Shopping Center

The Lodi Shopping Center development in the southwestern corner of the City has cleared all legal hurdles and is currently under construction. Anchored by a WalMart supercenter, the site will encompass 12 building pads and approximately 340,000 square feet of retail space. Construction began on the main building and a number of smaller pads in 2015.

Reynolds Ranch

Reynolds Ranch is a planned development on the south eastern edge of the city that will eventually incorporate residential and commercial development. Development continues with additional retail space completed in 2014 and 2015. Construction continues on a number of pads and tenants should be in place in 2016. Build-out of the commercial space will occur over the next 10 years.

Residential Development

The City has five residential development projects that have been approved and total about 1,100 dwelling units. Dwelling units are fairly evenly divided among low, medium and high density units. Sales in one of the five projects are ongoing in 2015. Construction is expected in two of the remaining four projects in the coming year.

Water Meters and Water Infrastructure

Under state law, all residential housing must be billed for water usage on a metered basis by 2025. The City has embarked on a program to install meters on approximately 14,000 parcels over an eight year period. A portion of this project will also include moving mains and service connections from alleys and rear yards to streets and front yards. Additionally, the City will be appropriately sizing water mains as part of this project. Construction began during FY 2009-10 and will continue through FY 2017-18. To date, approximately 10,900 meters have been installed. Estimated cost for the complete program is \$42.5 million.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

A detailed understanding of the financial position and change in financial position of the City is provided in the following sections of this report. The following is a brief description of the City's financial condition, management practices and control techniques.

Basis of Accounting

Basis of accounting refers to the policy as to when revenues, expenditures or expenses are recognized in the financial accounts and reported in the financial statements. The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liability incurred. For proprietary fund types, the City uses the accrual basis of accounting. As such, the measurement focus is on operating income in addition to financial position and changes in financial position. Revenues are recognized when earned and expenses are recognized as the liability is incurred. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgetary Control

In developing the City's accounting system, consideration is given to the adequacy of the internal controls. The objective of the City's internal accounting controls is to provide reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of the controls should not exceed the benefits likely to be derived and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. During fiscal year 2014-15, the City Council and City Manager made several supplemental appropriations for operating budgets and capital projects.

Fund Balance

It is the City's goal to target and maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds, and at least 25% of operating expenses. Based on a reserve policy adopted in March 2014, the target for the Electric enterprise fund working capital is \$23.7 million for fiscal year 2014-15. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unassigned fund balance of \$12,107,040 or 28.65%, of revenues at the end of fiscal year 2014-15.

Cash Management

The City has written investment policies that address a wide range of investments. These policies describe the City's investment objectives, investment authority, allowable investment vehicles, maturity terms and eligible financial institutions. They also describe the City's capital preservation and cash management objectives. As provided in the policy, investments are intended to be held until maturity and investment terms are to be consistent with the City's cash flow needs. Investment reports are issued quarterly to the City Manager and City Council to provide detailed information regarding the City's investments and compliance with City policy and state law. An important objective of the City's investment policy is to achieve a reasonable rate of return on public funds while minimizing risks and preserving capital. In evaluating the performance of the City's investment portfolio, investments are expected to yield a rate of return that regularly meets or exceeds an average rate of return on a three-month U.S. Treasury Bill.

Appropriation Limitation

Article XIII B of the Constitution of the State of California (Proposition 4) provides for the limitation of expenditures by state and local governments. Under the provisions of this article, City appropriations funded through tax sources may not exceed Fiscal Year 1979 appropriation levels except as adjusted for increases in population and the growth in the California per capita income or non-residential assessed valuation due to new construction within the City.

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B, the City is required to annually establish and adopt its appropriations limit by resolution. For 2014-15, the City's appropriations subject to limit were \$34,129,895 and the appropriation limit was \$86,477,897, leaving appropriations at \$52,348,002 below the limit.

Debt Administration

At June 30, 2015, the City had outstanding Certificates of Participation and Revenue Bonds of \$169,717,617. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

In 1999, the Electric Utility issued \$43.96 million Certificates of Participation to finance the costs of certain improvements to the distribution and transmission facilities of the City's electric system. These bonds were refunded by the issuance of the 2002 Electric Systems Revenue Certificates of Participation. The 2002 bonds were refunded with the 2008 Electric Systems Revenue Certificates of Participation thereby eliminating a variable rate obligation.

In 2004, the City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system. These bonds were partially refunded with the 2012 Refunding Wastewater Revenue Bonds, Series A.

In 2007, the City issued \$30,320,000 in Wastewater Certificates of Participation (2007A) to finance Phase III of the wastewater improvements and to refund the 1991 Certificates of Participation.

On July 24, 2008, the City issued the \$60,685,000 2008 Electric System Revenue Certificates of Participation to provide funds to currently refund the outstanding \$46,760,000 principal amount of the Electric System Revenue Certificates of Participation 2002 Series A Variable Rates Certificates (the "Refunded 2002 Certificates"); and to pay certain costs relating to the termination of a swap agreement relating to the Refunded 2002 Certificates.

On October 1, 2010, the City issued \$9,015,000 Water Revenue Certificates of Participation, 2010 Series A and \$29,650,000 Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system.

On September 1, 2012, the City issued \$19,080,000 Refunding Lease Revenue Bonds (2012 LRB) to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation.

The City also issued the \$17,105,000 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City.

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

Interim Financial Reporting

Monthly financial reports are prepared to present the City's financial condition and changes in financial position. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year-to-date estimates and variances. The reports are available to all departments.

Single Audit

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, which is a requirement of all local and state governments receiving and expending in excess of \$500,000 of federal financial awards annually. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

Competitive Bidding Policy

All required purchases for materials, equipment and services during 2014-15 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

Risk Management

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2015, the Insurance Fund had a net position of \$4,053,434.

INDEPENDENT AUDIT

The City Council requires an annual audit of the records and accounts of the City by an independent certified public accountant. To ensure proper internal control, periodically the City conducts a request for proposal (RFP) process for auditing services. The accounting firm of Macias Gini & O'Connell LLP was selected to perform this audit. The independent auditor's report precedes the basic financial statements and concludes that the City's basic financial statements are presented fairly, in all material respects, in accordance with GAAP.

CERTIFICATES OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-two consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

ACKNOWLEDGMENTS

As always the professionalism, dedication and efficiency of the Financial Services Division Accounting staff made it possible for the timely preparation of this report and are to be commended. I would also like to personally thank Ruby Paiste, Financial Services Manager, Derrick Cotten, Supervising Accountant, Tyson Mordhorst, Senior Programmer Analyst and Nancy Spinelli, Finance Technician. Their work in preparing this year's CAFR is greatly appreciated.

I would also like to thank you for your continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jordan Ayers
Deputy City Manager/Internal Services Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

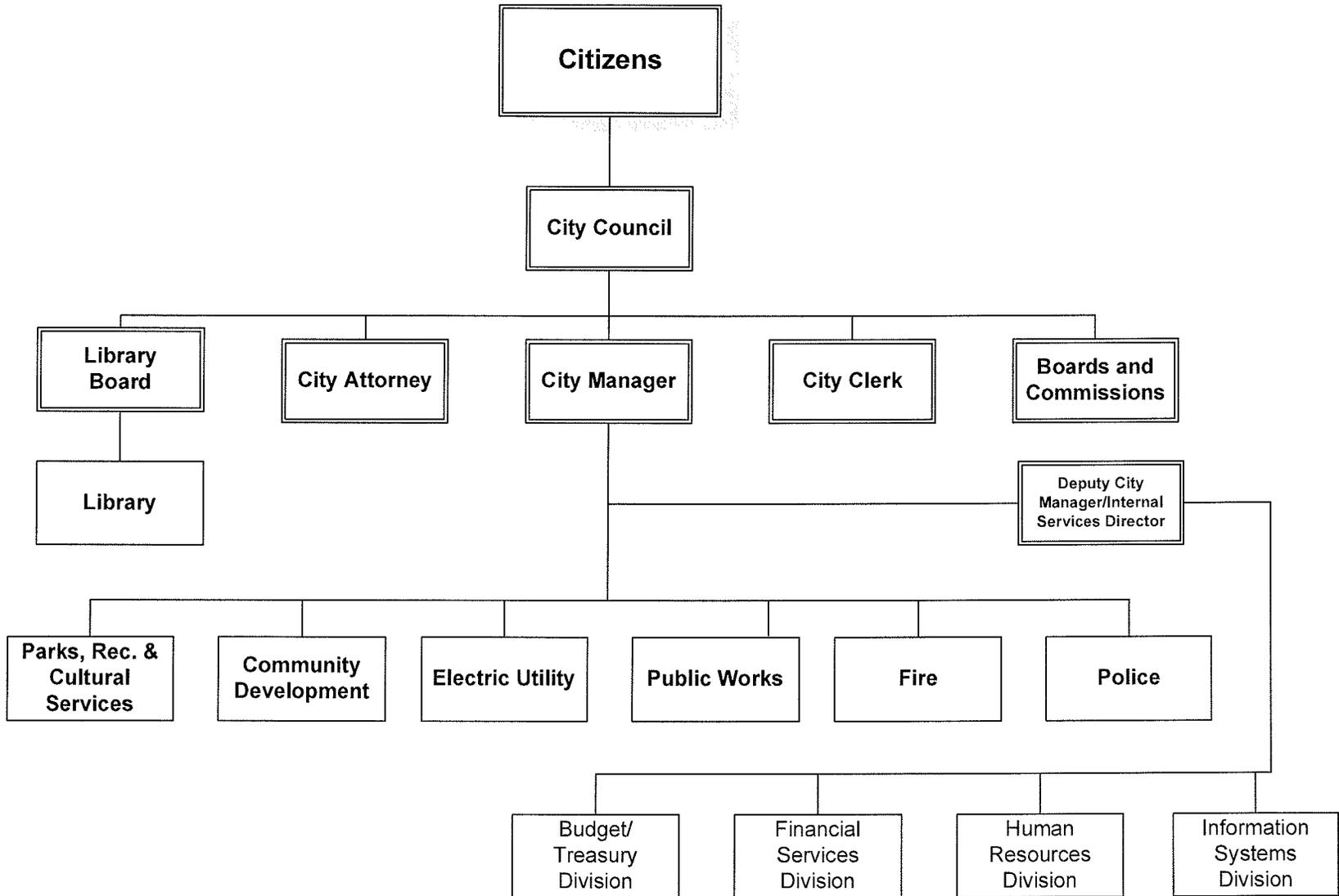
**City of Lodi
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

City of Lodi



FY 2014-2015

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Bob Johnson
Mark Chandler
Doug Kuehne
JoAnne Mounce
Alan Nakanishi

Mayor
Mayor Pro Tempore
Council Member
Council Member
Council Member

ADVISORY BODIES

Planning Commission
Library Board
Recreation Commission
Site Plan and Architectural Review Committee

Lodi Improvement Committee
Lodi Arts Commission
Youth Commission
Lodi Senior Citizens' Commission

PRINCIPAL ADMINISTRATIVE OFFICERS

Steve Schwabauer
Jordan Ayers
Janice Magdich
Jennifer Ferraiolo
Dean Gualco
Larry Rooney
Jeff Hood

Wally Sandelin
Elizabeth Kirkley
Steve Schwabauer
Tod Patterson

City Manager
Deputy City Manager
City Attorney
City Clerk
Library Services Director
Fire Chief
Parks, Recreation &
Cultural Services Director
Public Works Director
Electric Utility Director
Community Development Director
Interim Police Chief

FINANCIAL SECTION

The Financial Section is comprised of the Independent Auditors' Report, Management Discussion and Analysis, Basic Financial Statements, including the notes, required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.



Independent Auditor's Report

The Honorable Members of City Council
City of Lodi, 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 Lodi, California (City), as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the basic financial statements, effective July 1, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedule of pension contributions, the schedule of funding progress for the OPEB plan, and the schedule of revenues, expenditures and change in fund balance – budget and actual – for the General Fund 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 accompanying introductory section, combining and individual fund statements and schedules, statistical section, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the continuing disclosures section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of federal awards 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 fund statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016 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 the City’s internal control over financial reporting and compliance.



Sacramento, California
February 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets and the deferred outflows of resources of the City exceeded its liabilities and the deferred inflows of resources at the close of the fiscal year by \$171,425,284 (net position). Of this amount, \$73,254,063 is unrestricted deficit.
- The City's total net position decreased by \$12,863,903 in fiscal year 2015.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$24,436,361, an increase of \$3,293,392 in comparison with the prior year. Of this amount, \$12,107,040 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the fiscal year, fund balance for the general fund was \$12,478,553, of which \$12,107,040 is unassigned or 28.65% of total general fund revenues of \$42,254,075.
- The City's total long-term liabilities decreased by \$9,528,619 (4.45%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the Basic Financial Statements. This report also includes other **supplementary information** in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, parks and recreation. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

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

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements and schedules have been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Electric, Wastewater, Water, all of which are considered to be major funds and the Transit system, which is considered to be a non-major proprietary fund.

- **Internal Service funds** are used to report activities that account for various employee benefits, self-insurance, and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private-Purpose Trust and the Hutchins Street Square Bequest are also accounted for under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning changes in net pension liability and related ratios for the City's Miscellaneous and Safety pension plans, the City's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees, and schedules comparing budget to actual amounts in the General Fund.

Combining Statements

The combining statements in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$171,425,284 at the close of the current fiscal year.

City of Lodi's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 44,957,568	39,219,664	82,429,647	86,449,184	\$ 127,387,215	125,668,848
Capital assets	125,703,452	125,248,452	238,569,011	234,608,951	364,272,463	359,857,403
Total assets	<u>170,661,020</u>	<u>164,468,116</u>	<u>320,998,658</u>	<u>321,058,135</u>	<u>491,659,678</u>	<u>485,526,251</u>
Deferred outflows of resources	<u>6,317,566</u>	<u>462,397</u>	<u>8,240,201</u>	<u>7,371,560</u>	<u>14,557,767</u>	<u>7,833,957</u>
Liabilities:						
Net OPEB obligation	5,343,727	4,767,274			5,343,727	4,767,274
Net pension liability	74,791,178		16,870,603		91,661,781	
Long-term liabilities	34,313,177	35,661,889	170,074,211	178,254,118	204,387,388	213,916,007
Other liabilities	6,505,235	4,679,095	10,723,874	10,781,887	17,229,109	15,460,982
Total liabilities	<u>120,953,317</u>	<u>45,108,258</u>	<u>197,668,688</u>	<u>189,036,005</u>	<u>318,622,005</u>	<u>234,144,263</u>
Deferred inflows of resources	<u>12,226,800</u>		<u>3,943,356</u>		<u>16,170,156</u>	
Net position:						
Net investment in capital assets	105,943,664	105,461,769	119,924,203	116,156,098	225,867,867	221,617,867
Restricted	12,001,224	11,808,701	6,810,256	6,702,976	18,811,480	18,511,677
Unrestricted	(74,146,419)	2,551,785	892,356	16,534,616	(73,254,063)	19,086,401
Total net position	\$ <u>43,798,469</u>	<u>119,822,255</u>	<u>127,626,815</u>	<u>139,393,690</u>	\$ <u>171,425,284</u>	<u>259,215,945</u>

Assets. The City's total assets increased by \$6,133,427. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities had an increase of \$6,192,904 or 3.77% resulting largely from an increase in cash and investments due to increases in property tax revenue, \$495,193; sales tax, \$513,673; State mandated reimbursements from claims

submitted in prior years including interest, \$958,106; and transfers from the Electric, Wastewater, Water Enterprise Funds and the Internal Service Fund for various capital projects, \$3,600,000. Other insignificant activities make up the difference.

Business-type activities. Total assets for the business-type activities had a decrease of \$59,477. Current and other assets decreased by \$4,019,537 primarily due to decreases in cash and investments and restricted assets as a result of payments for debt service and an increase in contributions to the Capital Outlay Fund for various projects, \$3,550,000; offset by the increase in Greenhouse gas allowance compared to prior year of \$1,869,672 and the increase in charges for services revenue due to increased rates in Wastewater Fund of \$409,030 and in the Electric Fund by \$544,512, due to the overall increase in usage by customers. Capital assets increased by \$3,960,060 primarily from the purchase of thirteen buses in the Transit Fund, \$2,585,873, increase in construction in progress, \$10,449,092; offset by depreciation of buildings and improvements, machinery and equipment, and vehicles. Other insignificant activities contributed to the difference.

Deferred outflows of resources. The increase in deferred outflows of resources of \$ 6,723,810 is primarily due to the recording of the current pension contributions made after the measurement date of June 30, 2014 of the CalPERS valuation report.

Liabilities. The City's total liabilities increased by \$84,477,742 or 36.08%. The increase is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities had a significant increase of \$75,845,059 or 168.14%, primarily from pension related liability.

Business-type activities. Total liabilities for the business-type activities increased by \$8,632,683 or 4.57%. The increase is primarily attributable to the pension related liability. Other insignificant activities offset the difference.

Deferred inflows of resources. The increase in deferred inflows of resources of \$16,170,156 represents the plan earnings of both Miscellaneous and Safety Plans in excess of projected in the CalPERS actuarial report.

Net position. The City's overall financial position has increased during the fiscal year. The net position has increased by \$12,863,903, excluding the restatement of \$100,654,564, or 4.96%.

The largest portion (\$225,867,867) of the City's net position reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$18,811,480 (10.97%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to a deficit of \$73,254,063. At the end of the current fiscal year, the City is able to report positive balances in two categories of net position for the City as a whole. Unrestricted net position is negative for the governmental-type activities.

City of Lodi's Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 6,193,492	5,692,708	92,904,205	91,956,874	\$ 99,097,697	97,649,582
Operating grants and contributions	3,369,054	2,685,911	5,185,575	4,431,258	8,554,629	7,117,169
Capital grants and contributions	3,130,921	5,359,070	5,283,584	2,846,263	8,414,505	8,205,333
General revenues:						
Property taxes	13,502,085	12,758,079			13,502,085	12,758,079
Other taxes	11,128,660	10,960,317			11,128,660	10,960,317
Grants and contributions not restricted to specific programs	10,650,893	10,138,096			10,650,893	10,138,096
Rent	1,941,477	1,905,709	4,200	4,200	1,945,677	1,909,909
Other	750,606	730,690	3,376,133	3,126,882	4,126,739	3,857,572
Total revenues	50,667,188	50,230,580	106,753,697	102,365,477	157,420,885	152,596,057
Expenses						
General government	9,108,789	9,580,379			9,108,789	9,580,379
Public protection	27,426,291	27,883,875			27,426,291	27,883,875
Public works	10,281,419	10,644,153			10,281,419	10,644,153
Community development	1,164,964	1,174,428			1,164,964	1,174,428
Library	1,324,130	1,282,257			1,324,130	1,282,257
Parks and recreation	3,115,763	3,163,506			3,115,763	3,163,506
Interest on long-term debt	817,918	824,517			817,918	824,517
Electric			64,366,530	61,974,538	64,366,530	61,974,538
Wastewater			12,911,955	12,526,711	12,911,955	12,526,711
Water			9,905,544	11,013,911	9,905,544	11,013,911
Transit			4,133,679	3,833,786	4,133,679	3,833,786
Total expenses	53,239,274	54,553,115	91,317,708	89,348,946	144,556,982	143,902,061
Changes in net position before transfers	(2,572,086)	(4,322,535)	15,435,989	13,016,531	12,863,903	8,693,996
Transfers	7,513,614	4,792,000	(7,513,614)	(4,792,000)		
Changes in net position	4,941,528	469,465	7,922,375	8,224,531	12,863,903	8,693,996
Net position at beginning of year, as previously reported	119,822,255	120,585,956	139,393,690	134,435,142	259,215,945	255,021,098
Adjustment related to pensions	(80,965,314)		(19,689,250)		(100,654,564)	
Adjustment for OPEB and deferred costs		(1,233,166)		(3,265,983)		(4,499,149)
Net position at beginning of year, as restated	38,856,941	119,352,790	119,704,440	131,169,159	158,561,381	250,521,949
Net position at end of year	\$ 43,798,469	119,822,255	127,626,815	139,393,690	\$ 171,425,284	259,215,945

Analysis of Changes in Net Position

Governmental activities

Net position for the governmental activities increased by \$4,941,528 in the current fiscal year, which is an increase of \$4,472,063 from last year's increase of \$469,465. The key factors impacting this increase are:

Revenues increased \$436,608 from the prior fiscal year. Key elements of this increase are:

- Charges for services increased by 8.8%, a net amount of \$500,784 from the prior fiscal year, mainly from the increase revenue from engineering inspection fees and engineering fees of \$415,705.
- Operating grants and contributions increased by \$683,143 or 25.43% compared to the prior year from the increase in the State mandated reimbursements of \$958,106 offset by the decrease in Police Hiring grant of \$194,984 and decrease of CalGRIP funding of \$177,776.
- Capital grants and contributions decreased by \$2,228,149 or 41.58% from the prior fiscal year. The decrease in capital contributions was mainly attributable to federal funds used for the Harney Lane Grade Separation project and the Sacramento Street Pedestrian Beautification project totaling \$1,761,762, decrease gas tax allocation of \$167,740 and decrease in CDBG allocation of \$307,992.
- Property taxes increased by \$744,006 or 5.83% compared to prior year. The economy continues to show evidence of positive movement particularly in the housing market. Rising home prices coupled with record lows in mortgage rates are helping the process to generate sales, resulting in an increase in property tax revenues in the current year.
- Grants and contributions not restricted to specific programs increased by \$512,797 or 5.06% basically from sales tax revenues which increased by \$513,673. The overall increase in sales tax is attributed to a general increase in consumer spending and steady increase in auto sales spurred by low interest rates, easy credit and manufacturer's incentives.

Expenses for governmental functions totaled \$53,239,274, a decrease of \$1,313,841 from the prior fiscal year. The key elements of this decrease are:

- General government – the decrease in general government of \$471,590 is primarily due to decrease in salaries and benefits due to vacancies and the effect of the Council approved one-time payment given to employees and the increase in the cap for medical premiums in the prior year. Other insignificant increases offset the difference.
- Public protection – a decrease of \$457,584 in public protection is primarily due to vacancies and the one-time payment given to employees and the increase in the cap for medical premiums in the prior year. Other insignificant increases offset the difference.
- Public works – the decrease of \$362,734 is primarily due to vacancies and the one-time payment given to employees and the increase for medical premiums in the prior year. Other insignificant increases offset the difference.

Transfers increased by \$2,771,614, primarily due to contributions from the enterprise funds for various capital projects.

Business-type activities

Business-type activities increased the City's net position by \$7,922,375 in the current year, which is a decrease of \$302,156 from last year's increase of \$8,224,531. The key elements of this decrease are:

- Transfers to the governmental activities for various capital projects increased by \$2,771,614 in comparison to the prior year.
- Charges for services in the Electric fund increased by \$544,512 primarily from sales due to growth and increased usage by commercial customers.
- Increase in the Greenhouse gas allowance (GHG) of \$1,869,672 in the Electric fund related to Assembly Bill 32: Global Warming Act, which set the 2020 greenhouse gas emissions reduction into law and also adopted a regulation that established a system of market-based declining annual aggregate emission limits for sources or categories of sources that emit greenhouse gases. In 2011, the California Air Resources Board (ARB) adopted the cap-and-trade regulation. This program covers major sources of GHG emissions in the State such as refineries, power plants, industrial facilities, and transportation fuels. The cap-and-trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances which are tradable permits, equal to emissions allowed under the cap.

- Capital contributions increased by \$2,437,321, primarily from federal funds received for the purchase of buses for the Transit Fund.
- Increase in depreciation expense of \$1,146,358 as the result of adding \$5,416,421 in capital assets.
- Bulk power cost increased by \$1,209,397 compared to the prior year is primarily attributed to increasing transmission access charges per MWH charged by NCPA.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service fund and capital projects funds.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,436,361. This represents an increase of \$3,293,392, an increase of \$2,162,924 in comparison to the prior year increase of \$1,130,468 resulting from the increase in total revenues and increase in transfers in, offset by the increase in capital outlay.

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 \$12,107,040 while total fund balance was \$12,478,553. 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 and total fund balance represent 33.56% and 34.59% of total General Fund expenditures, respectively.

The fund balance of the General Fund increased by \$3,004,793 during the current fiscal year, an increase of \$1,496,245 from last year's increase of \$1,508,548. Key factors in this growth are as follows:

- Total revenues increased by \$2,653,051, primarily from the increase in sales tax of \$513,673; increase in property tax of \$495,193, increase in property tax in-lieu of \$244,564, increase in State mandated reimbursements of \$958,106; increase in engineering and inspection fees, \$415,705; and, increase in transient occupancy tax of \$72,636. Other insignificant increases and decreases offset the difference.
- Total expenditures increased by \$297,571, primarily from increase in public works for professional services related to construction testing and inspection services for various city projects. Salaries and wages also decreased by \$747,481 and offset by the increase of overtime by \$446,372 due to vacancies. Other insignificant increases and decreases offset the difference.

Proprietary Funds

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

Unrestricted net position at the end of the year for the Wastewater Fund was \$5,698,680, Water Fund was \$2,087,340 and for the Transit Fund, \$3,489,661. The Electric Fund unrestricted net position was (\$10,383,325) and the Internal Services Funds unrestricted net position was (\$615,623).

Other factors concerning the finances of these funds are discussed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget in the General Fund were a net increase in appropriations of \$99,422. The increase in appropriations can be briefly summarized as follows:

- \$61,923 increase in general government
- \$301,499 decrease in public protection
- \$128,511 increase in public works
- \$11,643 increase in library

Significant differences between the final budget and the actual revenues and expenditures can be briefly summarized as follows:

- Taxes – a favorable variance of \$467,835 was due to positive variances in property tax (\$57,041), real property transfer tax (\$29,493), transient occupancy tax (\$116,419), in-lieu of vehicle license fees (\$122,721), cable TV franchise fees (\$59,537), electric, gas and industrial waste franchise (\$106,235), card room tax (\$23,217), offset by a negative variance in business license tax (\$46,828).
- Intergovernmental revenues – a favorable variance of \$1,359,792 was mainly due to a positive variance in sales tax (\$366,733), State mandated reimbursements (\$962,932), and in Prop. 172 (\$31,865).
- For expenditures, a favorable variance between the final budget and actual expenditures of \$948,082 was due to savings from vacancies and the continued overall effort to reduce spending and costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$364,272,463 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, works of art, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$4,415,060, a 1.23% increase (a 0.36% increase in governmental activities and 1.69% increase in business-type activities) as shown in the table below.

	Changes in Capital Assets, Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 24,947,834	\$ 24,933,134	\$ 5,535,718	\$ 5,535,718	\$ 30,483,552	\$ 30,468,852
Construction in Progress	12,124,679	4,407,042	14,478,947	4,029,855	26,603,626	8,436,897
Buildings and Improvements	36,344,383	38,288,041	29,340,217	31,130,846	65,684,600	69,418,887
Machinery and Equipment	549,226	726,413	184,431,755	191,198,079	184,980,981	191,924,492
Vehicles	1,758,667	1,318,240	4,782,374	2,714,453	6,541,041	4,032,693
Infrastructure	49,673,756	55,270,675			49,673,756	55,270,675
Work of Art	304,907	304,907			304,907	304,907
Total	<u>\$ 125,703,452</u>	<u>\$ 125,248,452</u>	<u>\$ 238,569,011</u>	<u>\$ 234,608,951</u>	<u>\$ 364,272,463</u>	<u>\$ 359,857,403</u>

An increase in construction in progress compared to prior year was primarily from the ongoing improvements for Fire Station # 2 and Fire Station #3, City Hall Annex improvements, the Harney Lane Grade separation project, White Slough Plant improvements, and the Water Meter Programs - Phases #4 and #5. The increase in vehicles resulted from the purchase of thirteen buses.

Additional information on the City's capital assets can be found in Note 6 on pages 49-51 of this report.

Long-term debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$169,717,613. Of this amount, \$19,950,250 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of \$149,767,363 from the business-type activities consists of \$35,907,504 for the Water Fund; \$47,556,412 for the Wastewater Fund; and \$66,303,447 for the Electric Fund.

City of Lodi's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Certificates of Participation and Revenue Bonds	\$ 19,950,250	149,767,367	169,717,617

The City's total bonded debt decreased by \$7,583,005 during the current fiscal year.

Bond Rating

In December 2015, Moody's Rating Services maintained its A2 rating with a stable outlook on outstanding electric utility debt instruments given management's focus on improving financial performance and no plans to issue additional debt in the near future.

In September 2015, Standard & Poor's Rating Services raised its long-term rating to A+ from A on the outstanding public improvement bonds with a stable outlook.

Additional information on the City's long-term debt can be found in Note 8 on pages 52-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to see a number of positive economic indicators and is slowly returning to revenue levels seen before the Great Recession. General Fund revenues including transfers from other funds are projected to increase for the first time to exceed the historic high of \$45.5 million in 2007/08 to a conservatively projected \$46,708,260 in 2015/16, representing a 7.2 percent growth in revenues.

This past year has seen the continued growth for Costco and Home Depot stores. Moreover, plans are now on file for construction of several businesses and additional retailers are moving forward with plans to complete other sections of the development at Reynolds Ranch. Additionally, the Lodi Shopping Center is moving forward and is under construction.

The General Fund continues to be of the greatest focus. It funds all of the core municipal services including police, fire, administration, economic development, transfers to the parks and library funds and other essential public services. The General Fund houses the large majority of City employees.

The City has reduced its workforce by 17% over the past ten years, from 470 full-time budgeted employees in 2004/05 to 391 full-time budgeted employees in 2015/16. The City will add a net of 8 positions this year to address capital maintenance needs, succession planning and operational efficiencies in various departments.

The City will continue its capital efforts in the coming year. Significant projects expected to be undertaken during the year include various electrical system maintenance projects, water meter and water system maintenance projects, PCE/TCE remediation projects, various wastewater system maintenance projects, street maintenance and replacing boating facilities at Lodi Lake Park under a State Division of Boating and Waterways Local Assistance grant. The City began a phased financial systems implementation and activated the financials, human resources and payroll during the fiscal year 2014/15. Utility billing, business license and animal license and fleet maintenance management modules will be brought live during the budget year. Additionally, the City is expecting to complete construction of Fire Station #2 and refurbish the City Hall Annex to house Parks Administration, Fire Administration and the City's computer systems.

Balancing the 2015/16 budget involves balancing several critical issues: employee costs and retirement contributions; capital programs; and cost increases beyond the City's control that were either imposed by external entities or negotiated by the City with its bargaining groups.

Employee costs and retirement contributions – Prior to the economic downturn, Lodi and its employees aggressively moved to manage employment costs. Positions not deemed vital to City operations were held vacant, and other departmental expenses were closely monitored. Importantly, as the economy plummeted, in March 2009, City employees made a number of temporary salary and benefit concessions to reduce salary costs, including salary reductions, furloughs, and waiving of the City's deferred compensation match. These concessions alone were valued at over \$2.3 million for FY 2009-10, \$2.7 million for FY 2010-11, and \$3.0 million for FY 2011-12. Consequently, the City largely avoided employee layoffs and drastic service cuts so common in other cities. In 2013, the majority of employees agreed to a historic restructuring of their salary and benefits, permanently reducing employee expenses. Employees agreed to paying their full seven or nine percent retirement contribution and capping the City's medical costs. The effect of these agreements was to reduce employment costs seven to nine percent below the 2007/08 levels.

For 2014/15, the City negotiated an additional one-year agreement with all of its bargaining units (except IBEW). For the first time since 2007/08, the City returned a portion of the concessions agreed to by employees, issuing a one-time payment of \$2,300 per employee to all employees, and increasing the medical cap to January 2014 rates. In addition, the City increased safety uniform allowances by 1 percent on a one-year non-PERSable basis. The one-time dollars were paid for from amounts over the City's General Fund reserve targets at the close of the 2012/13 budget year. The ongoing health costs were funded through the budget.

Looking forward to 2015/16 and beyond, the City has reached an agreement with The agreements reached generally call for 3 percent raises in year one and 2 percent raises in years two and three.

Capital programs – The City continues to utilize one-time funds for capital maintenance, rather than ongoing operations. In prior years, the City assessed its physical plant and is using one-time funds generated by the Lodi Energy Center, to address deferred maintenance projects on its buildings. Scheduled to be completed this year are Fire Station #2, City Hall Annex remodel, financial system implementation and various roof, parking lot and facility maintenance projects totaling about \$1.6 million. The 2015/16 budget also includes \$767,000 in unallocated one-time revenues that could be put toward additional capital projects.

Imposed costs – While revenues have increased by over \$3.1 million, the cost of retirement and insurance continue to rise. In the last few years, CalPERS has revised a number of its actuarial assumptions and policies. Rates for Miscellaneous plan employees rose 1.9 percent while Safety plan rates increased 2.9 percent. Total additional cost to the City is about \$600,000.

In December of 2014, CalPERS released its long awaited five-year rate projections resulting from its major policy shift regarding the time frame within which it recovers market losses. In years past, CalPERS recovered these losses over a 30-year rolling period. In 2013, CalPERS reduced

that time frame. The increase is phased in on a bell curve over five years, levels out for 20 years and decreasing for the last five. The bell curve structure means Lodi will see its greatest impact in the 2019/20 budget year. Projected contribution rates ranges from 19.994% to 27.7% for the Miscellaneous group, and 40.87% to 54.59% for the Safety group, in the next five years.

A second cost increase that is a cause of concern is rapidly increasing health care costs. While the City has negotiated a medical insurance cap with its bargaining units, costs are expected to increase and impact the net pay of the workforce. Staff is evaluating the impact of the Affordable Care Act and believes that prudent management of part-time hours will allow the City to avoid an economic impact.

A third cost increase that is a cause of concern is worker's compensation. The City is self-funded for worker's compensation costs. There has been a moderation in the cost and severity of claims and the City has funded its actuarial liability at slightly more than the 90% percent confidence level. Staff continues to manage the program and provide education to employees to minimize injuries and work time losses.

Economic Development

During the Great Recession, the City has fared better than the surrounding area, as a whole. While not immune to the foreclosure crisis, the City housing stock has seen fewer foreclosures and has maintained housing values better than the surrounding communities.

The City's unemployment rate continues to track roughly 1 percent lower than that of San Joaquin County. The City's diversified economic base continues to help the City maintain its revenue base.

Although agriculture is an important part of the City's past, present and future by providing residents with employment on farms and in processing plants, even more jobs can be found in food and plastics manufacturing and in health-related businesses.

Lodi Health Hospital, Blue Shield and ConAgra have the highest year-round employment in the City, and large national and international manufacturers such as CertainTeed find the City an attractive base for their West Coast operations. The City was disappointed with the announcement that the General Mills plant would be closing by the end of 2016. City staff, is in discussions with General Mills staff regarding the marketing and re-use of the site as General Mills closes the plant. While a major employer, staff is optimistic that a suitable replacement will be found timely and not significantly impact City operations.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City' accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 310 W. Elm Street, Lodi, California, 95240.

BASIC FINANCIAL STATEMENTS

The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Funds.

The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LODI
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 41,348,139	27,531,358	\$ 68,879,497
Accounts receivable, net	4,606,072	8,815,777	13,421,849
Property tax receivable	7,752		7,752
Interest receivable	25,857	24,685	50,542
Internal balances	(1,550,454)	1,550,454	
Due from other governmental agencies	348,979		2,636,345
Restricted assets		2,287,366	31,717,302
Loans receivable		88,698	88,698
Advance receivable		6,956,797	6,956,797
Inventory	171,223	3,119,361	3,290,584
Other assets		337,849	337,849
Capital assets, net:			
Nondepreciable	37,377,420	20,014,665	57,392,085
Depreciable, net	88,326,032	218,554,346	306,880,378
TOTAL ASSETS	170,661,020	320,998,658	491,659,678
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized losses on defeasance	435,462	6,874,417	7,309,879
Related to pensions	5,882,104	1,365,784	7,247,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,317,566	8,240,201	14,557,767
LIABILITIES			
Accounts payable and accrued liabilities	5,549,654	7,619,627	13,169,281
Accrued salaries and wages	542,673		542,673
Accrued interest	211,203	2,328,909	2,540,112
Unearned revenue	201,705	775,338	977,043
Net OPEB obligation	5,343,727		5,343,727
Net pension liability	74,791,178	16,870,603	91,661,781
Long-term liabilities:			
Due within one year	2,439,237	8,346,744	10,785,981
Due in more than one year	31,873,940	161,727,467	193,601,407
TOTAL LIABILITIES	120,953,317	197,668,688	318,622,005
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	12,226,800	3,943,356	16,170,156
NET POSITION			
Net investment in capital assets	105,943,664	119,924,203	225,867,867
Restricted for:			
Road-related projects	3,207,124		3,207,124
Capital projects	6,841,989		6,841,989
Debt service		6,810,256	6,810,256
Public safety	249,258		249,258
Community development	1,474,880		1,474,880
Parks, recreation and community services	227,973		227,973
Unrestricted	(74,146,419)	892,356	(73,254,063)
TOTAL NET POSITION	\$ 43,798,469	\$ 127,626,815	\$ 171,425,284

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 9,108,789	1,971,045	1,012,932		(6,124,812)		\$ (6,124,812)
Public protection	27,426,291	608,602	1,222,232	41,451	(25,554,006)		(25,554,006)
Public works	10,281,419	832,391	1,114,220	2,863,540	(5,471,268)		(5,471,268)
Community development	1,164,964	1,377,715			212,751		212,751
Library	1,324,130	43,456	19,670		(1,261,004)		(1,261,004)
Parks and recreation	3,115,763	1,360,283		225,930	(1,529,550)		(1,529,550)
Interest on long-term debt	817,918				(817,918)		(817,918)
Total governmental activities	<u>53,239,274</u>	<u>6,193,492</u>	<u>3,369,054</u>	<u>3,130,921</u>	<u>(40,545,807)</u>		<u>(40,545,807)</u>
Business-type activities:							
Electric	64,366,530	65,237,320	2,557,326	417,669	3,845,785		3,845,785
Wastewater	12,911,955	14,714,123		372,044	2,174,212		2,174,212
Water	9,905,544	12,722,619	613,715	493,748	3,924,538		3,924,538
Transit	4,133,679	230,143	2,014,534	4,000,123	2,111,121		2,111,121
Total business-type activities	<u>91,317,708</u>	<u>92,904,205</u>	<u>5,185,575</u>	<u>5,293,584</u>	<u>12,055,656</u>		<u>12,055,656</u>
Total primary government	<u>\$ 144,556,982</u>	<u>99,097,697</u>	<u>8,554,629</u>	<u>8,414,505</u>	<u>(40,545,807)</u>	<u>12,055,656</u>	<u>(28,490,151)</u>
General revenues:							
Taxes:							
Property taxes				13,502,085			13,502,085
Franchise taxes				8,975,852			8,975,852
Business license tax				1,486,389			1,486,389
Transient occupancy tax				666,419			666,419
Grants and contributions not restricted to specific programs				10,650,893			10,650,893
Investment earnings				145,159	631,546		776,705
Rent				1,941,477	4,200		1,945,677
Other				605,447	2,744,587		3,350,034
Transfers				7,513,614	(7,513,614)		
Total general revenues and transfers				<u>45,487,335</u>	<u>(4,133,281)</u>		<u>41,354,054</u>
Changes in net position				<u>4,941,528</u>	<u>7,922,375</u>		<u>12,863,903</u>
Net position, beginning of year, as previously reported				119,822,255	139,393,690	259,215,945	
Change in accounting principles				<u>(80,965,314)</u>	<u>(19,689,250)</u>	<u>(100,654,564)</u>	
Net position, beginning of year, as restated				38,856,941	119,704,440	158,561,381	
Net position, end of year				<u>\$ 43,798,469</u>	<u>127,626,815</u>	<u>\$ 171,425,284</u>	

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds, debt service fund and capital projects funds.

Major Governmental Fund:

General Fund

This fund is maintained to account for all financial resources that are not restricted as to their use. This includes property and sales taxes, business tax receipts, franchise taxes and various subventions such as Motor Vehicle In-Lieu fees received from the State of California. With the exception of grant programs, General Fund resources can be utilized for any legitimate governmental purpose.

Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

Major Enterprise Funds include:

Electric Fund

The City established this fund in order to account for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements maintenance and debt service.

Sewer Fund

This fund was established by the City in order to account for the provision of waste water collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

Water Fund

This fund was established by the City in order to account for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Nonmajor Enterprise Fund:**Transit Fund**

This fund is used to account for the operations of the Dial-A-Ride and the Grapeline bus system.

Fiduciary Fund Types**Private-purpose Trust Funds**

These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts and various landscape and lighting districts around the City.

**CITY OF LODI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 12,542,808	14,664,209	\$ 27,207,017
Receivables:			
Accounts, net	3,890,758	715,314	4,606,072
Property taxes	7,752		7,752
Interest	9,340	7,595	16,935
Due from other funds		93,114	93,114
Due from other governmental agencies		348,979	348,979
Inventory		1,291	1,291
Total assets	<u>\$ 16,450,658</u>	<u>15,830,502</u>	<u>\$ 32,281,160</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,373,901	2,038,245	\$ 5,412,146
Accrued salaries and wages	542,673		542,673
Due to other funds		93,114	93,114
Advances from other funds		1,550,454	1,550,454
Unearned revenue	55,531	146,174	201,705
Total liabilities	<u>3,972,105</u>	<u>3,827,987</u>	<u>7,800,092</u>
Deferred inflows of resources:			
Unavailable revenue		44,707	44,707
Fund balances:			
Nonspendable			
Inventory		1,291	1,291
Restricted			
Road-related projects		3,207,124	3,207,124
Capital projects		6,797,282	6,797,282
Public safety		249,258	249,258
Community development		1,474,880	1,474,880
Parks, recreation and community services		227,973	227,973
Committed			
Video- related capital projects	345,294		345,294
Assigned			
Encumbrances - supplies, materials and services	26,219		26,219
Unassigned			
Total fund balances	<u>12,107,040</u>	<u>11,957,808</u>	<u>24,436,361</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,450,658</u>	<u>15,830,502</u>	<u>\$ 32,281,160</u>

CITY OF LODI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Fund balances - total governmental funds	\$	24,436,361
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Nondepreciable capital assets		37,377,420
Depreciable capital assets, net		88,298,534
Deferred outflows of resources related to pensions are not reported in governmental funds.		5,807,745
Deferred inflows of resources related to pensions are not reported in governmental funds.		(12,010,250)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:		
Compensated absences		(5,732,206)
Long-term debt		(19,325,000)
Issuance premium (to be amortized as interest expense)		(870,250)
Unamortized losses on defeasance (to be amortized as interest expense)		435,462
Accrued interest		(211,203)
Net pension liability		(73,864,726)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		44,707
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		(588,125)
Net position of governmental activities	\$	<u><u>43,798,469</u></u>

CITY OF LODI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 24,630,745		\$ 24,630,745
Licenses and permits	87,908	879,225	967,133
Intergovernmental revenues	12,642,107	4,914,450	17,556,557
Charges for services	1,482,448	2,345,002	3,827,450
Fines, forfeits and penalties	1,573,071		1,573,071
Investment and rental income	1,546,845	481,971	2,028,816
Miscellaneous revenue	290,951	529,286	820,237
Total revenues	<u>42,254,075</u>	<u>9,149,934</u>	<u>51,404,009</u>
Expenditures:			
Current:			
General government	6,490,907	2,660,048	9,150,955
Public protection	26,388,172	257,888	26,646,060
Public works	1,882,250	2,625,771	4,508,021
Community development		1,226,307	1,226,307
Library	1,311,367		1,311,367
Parks and recreation		2,145,084	2,145,084
Capital outlay		9,841,625	9,841,625
Debt service:			
Interest and fiscal charges		844,812	844,812
Total expenditures	<u>36,072,696</u>	<u>19,601,535</u>	<u>55,674,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,181,379</u>	<u>(10,451,601)</u>	<u>(4,270,222)</u>
Other financing sources (uses):			
Transfers in	3,952,000	11,647,376	15,599,376
Transfers out	<u>(7,128,586)</u>	<u>(907,176)</u>	<u>(8,035,762)</u>
Total other financing sources (uses)	<u>(3,176,586)</u>	<u>10,740,200</u>	<u>7,563,614</u>
Changes in fund balances	3,004,793	288,599	3,293,392
Fund balances, beginning of year	<u>9,473,760</u>	<u>11,669,209</u>	<u>21,142,969</u>
Fund balances, end of year	<u>\$ 12,478,553</u>	<u>11,957,808</u>	<u>\$ 24,436,361</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2015

Net change in fund balances - total governmental funds	\$	3,293,392
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays and depreciation expense are as follows:

Capitalized capital outlays		8,996,052
Depreciation expense		(8,539,608)

Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The net revenue of the internal service funds are reported with governmental activities.

784,312

Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.

Change in compensated absences		563,640
Amortization of loss on defeasance		(26,935)
Amortization of bond premium		53,830
Change in net pension liability and related amounts		(183,155)

Change in net position of governmental activities	\$	<u>4,941,528</u>
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**CITY OF LODI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015**

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
ASSETS						
Current assets:						
Cash and investments	\$ 6,383,017	13,853,935	6,755,522	538,884	\$ 27,531,358	\$ 14,141,122
Restricted cash and investments			14,832,904		14,832,904	
Restricted assets with fiscal agents	12,230,110	108,982	2,375,456		14,714,548	
Receivables:						
Accounts, net	4,884,633	1,010,587	844,542	2,076,015	8,815,777	
Interest	3,959	8,816	11,567	343	24,685	8,922
Due from other governmental agencies			362,028	1,925,338	2,287,366	
Advance receivable	6,956,797				6,956,797	
Loans receivable	88,698				88,698	
Inventory	2,755,191	92,370	271,800		3,119,361	169,932
Other assets			337,849		337,849	
Total current assets	<u>33,302,405</u>	<u>15,074,690</u>	<u>25,791,668</u>	<u>4,540,580</u>	<u>78,709,343</u>	<u>14,319,976</u>
Noncurrent assets:						
Restricted assets with fiscal agents		2,169,850			2,169,850	
Advances to other funds		376,429	1,750,403		2,126,832	
Capital assets, net:						
Nondepreciable	763,785	8,772,041	8,920,552	1,558,287	20,014,665	
Depreciable, net	39,367,685	81,525,988	81,629,524	16,031,149	218,554,346	27,498
Total capital assets	<u>40,131,470</u>	<u>90,298,029</u>	<u>90,550,076</u>	<u>17,589,436</u>	<u>238,569,011</u>	<u>27,498</u>
Total noncurrent assets	<u>40,131,470</u>	<u>92,844,308</u>	<u>92,300,479</u>	<u>17,589,436</u>	<u>242,865,693</u>	<u>27,498</u>
TOTAL ASSETS	<u>73,433,875</u>	<u>107,918,998</u>	<u>118,092,147</u>	<u>22,130,016</u>	<u>321,575,036</u>	<u>14,347,474</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized losses on defeasance	5,128,145	1,746,272			6,874,417	
Related to pensions	784,603	498,007	46,096	37,078	1,365,784	74,359
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,912,748</u>	<u>2,244,279</u>	<u>46,096</u>	<u>37,078</u>	<u>8,240,201</u>	<u>74,359</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	3,309,528	1,037,742	2,899,265	373,092	7,619,627	137,508
Accrued interest	1,615,256	538,769	174,884		2,328,909	
Unearned revenue			660,104	115,234	775,338	
Self-insurance liability						634,932
Accrued compensated absences	286,385	185,493	33,237	22,454	527,569	31,195
Certificates of participation and revenue bonds payable	5,219,909	1,709,566	889,700		7,819,175	
Total current liabilities	<u>10,431,078</u>	<u>3,471,570</u>	<u>4,657,190</u>	<u>510,780</u>	<u>19,070,618</u>	<u>803,635</u>
Noncurrent liabilities:						
Advances from other funds	576,378				576,378	
Self-insurance liability						7,670,955
Accrued compensated absences	542,777	588,524		55,868	1,187,169	48,639
Certificates of participation and revenue bonds payable	61,083,539	45,846,848	35,017,805		141,948,192	
Net pension liability	9,512,447	6,314,886	620,694	422,576	16,870,603	926,452
Net OPEB obligation						5,343,727
Pollution remediation obligation			18,592,106		18,592,106	
Total noncurrent liabilities	<u>71,715,141</u>	<u>52,750,258</u>	<u>54,230,605</u>	<u>478,444</u>	<u>179,174,448</u>	<u>13,989,773</u>
TOTAL LIABILITIES	<u>82,146,219</u>	<u>56,221,828</u>	<u>58,887,795</u>	<u>989,224</u>	<u>198,245,066</u>	<u>14,793,408</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	2,223,452	1,476,050	145,081	98,773	3,943,356	216,550
NET POSITION						
Net investment in capital assets	(1,449,979)	46,766,719	57,018,027	17,589,436	119,924,203	27,498
Restricted:						
Debt service	6,810,256				6,810,256	
Unrestricted	(10,383,325)	5,698,680	2,087,340	3,489,661	892,356	(615,623)
TOTAL NET POSITION	<u>\$ (5,023,048)</u>	<u>52,465,399</u>	<u>59,105,367</u>	<u>21,079,097</u>	<u>\$ 127,626,815</u>	<u>\$ (588,125)</u>

CITY OF LODI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2015

	Business-type Activities - Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit		
OPERATING REVENUES						
Charges for services	\$ 65,237,320	14,714,123	12,722,619	230,143	\$ 92,904,205	\$ 12,010,929
OPERATING EXPENSES						
Personnel services	6,194,068	3,116,493	2,316,305	312,406	11,939,272	1,039,685
Supplies, materials and services	12,282,288	2,541,904	2,139,013	2,600,659	19,563,864	7,906,220
Utilities	38,568,622	676,838	579,774	74,844	39,900,078	17,843
Depreciation	2,658,929	4,217,932	2,752,367	1,145,770	10,774,998	1,444
Claims						2,352,814
TOTAL OPERATING EXPENSES	<u>59,703,907</u>	<u>10,553,167</u>	<u>7,787,459</u>	<u>4,133,679</u>	<u>82,178,212</u>	<u>11,318,006</u>
OPERATING INCOME (LOSS)	<u>5,533,413</u>	<u>4,160,956</u>	<u>4,935,160</u>	<u>(3,903,536)</u>	<u>10,725,993</u>	<u>692,923</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	135,397	356,590	130,616	8,943	631,546	58,750
Interest expense	(3,532,168)	(2,358,788)	(2,118,085)		(8,009,041)	
Operating grants	234,550		613,715	2,014,534	2,862,799	
Greenhouse gas allowance	2,322,776				2,322,776	
Loss on disposal of capital assets	(1,130,455)				(1,130,455)	
Other revenues	1,360,933	590,013	483,708	314,133	2,748,787	82,639
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(608,967)</u>	<u>(1,412,185)</u>	<u>(890,046)</u>	<u>2,337,610</u>	<u>(573,588)</u>	<u>141,389</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>4,924,446</u>	<u>2,748,771</u>	<u>4,045,114</u>	<u>(1,565,926)</u>	<u>10,152,405</u>	<u>834,312</u>
Capital contributions	417,669	372,044	493,748	4,000,123	5,283,584	
Transfers out	(3,823,858)	(1,894,378)	(1,795,378)		(7,513,614)	(50,000)
Net capital contributions and transfers	<u>(3,406,189)</u>	<u>(1,522,334)</u>	<u>(1,301,630)</u>	<u>4,000,123</u>	<u>(2,230,030)</u>	<u>(50,000)</u>
Changes in net position	<u>1,518,257</u>	<u>1,226,437</u>	<u>2,743,484</u>	<u>2,434,197</u>	<u>7,922,375</u>	<u>784,312</u>
NET ASSETS - BEGINNING OF YEAR, as previously reported	4,560,430	58,608,905	57,086,278	19,138,077	139,393,690	(291,199)
Change in accounting principles	<u>(11,101,735)</u>	<u>(7,369,943)</u>	<u>(724,395)</u>	<u>(493,177)</u>	<u>(19,689,250)</u>	<u>(1,081,238)</u>
NET POSITION - BEGINNING OF YEAR, restated	<u>(6,541,305)</u>	<u>51,238,962</u>	<u>56,361,883</u>	<u>18,644,900</u>	<u>119,704,440</u>	<u>(1,372,437)</u>
NET POSITION - END OF YEAR	<u>\$ (5,023,048)</u>	<u>52,465,399</u>	<u>59,105,367</u>	<u>21,079,097</u>	<u>\$ 127,626,815</u>	<u>\$ (588,125)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 67,309,118	15,307,357	12,403,707	544,276	\$ 95,564,458	\$ 82,739
Receipts from interfund services provided	257,410				257,410	12,010,929
Cash paid to suppliers for goods & services	(50,941,764)	(1,785,280)	(2,525,891)	(2,441,667)	(57,694,602)	(10,463,138)
Payments to employees	(6,398,576)	(3,273,694)	(2,309,985)	(327,968)	(12,310,223)	(1,067,650)
Payments for interfund services provided	(3,799)	(602,252)	(555,248)	(60,469)	(1,221,768)	
Net cash provided by (used in) operating activities	<u>10,222,389</u>	<u>9,646,131</u>	<u>7,012,583</u>	<u>(2,285,828)</u>	<u>24,595,275</u>	<u>562,880</u>
Cash flows from noncapital financing activities:						
Operating grants	234,550		613,715	1,195,418	2,043,683	
Loaned to other funds			(576,378)		(576,378)	
Loaned from other funds	576,378				576,378	
Repaid from other funds		128,571			128,571	
Received -greenhouse gas allowance	2,322,776				2,322,776	
Transfers out	(3,823,858)	(1,894,378)	(1,795,378)		(7,513,614)	(50,000)
Net cash provided by (used) in noncapital financing activities	<u>(690,154)</u>	<u>(1,765,807)</u>	<u>(1,758,041)</u>	<u>1,195,418</u>	<u>(3,018,584)</u>	<u>(50,000)</u>
Cash flows from capital and related financing activities:						
Fees received for water meter installations			56,050		56,050	
Acquisition and construction of capital assets	(867,535)	(4,945,098)	(5,617,689)	(3,576,060)	(15,006,382)	
Fees received from developers	163,985	183,994	20,301		368,280	
Capital grants received				3,455,944	3,455,944	
Principal payments on debt	(4,960,000)	(1,500,000)	(850,000)		(7,310,000)	
Interest payments on debt	(3,358,233)	(2,171,525)	(2,119,856)		(7,649,614)	
Net cash used in capital and related financing activities	<u>(9,021,783)</u>	<u>(8,432,629)</u>	<u>(8,511,194)</u>	<u>(120,116)</u>	<u>(26,085,722)</u>	
Cash flows from investing activities:						
Interest on investments	108,068	176,903	104,238	9,051	398,260	53,319
Net increase (decrease) in cash and cash equivalents	618,520	(375,402)	(3,152,414)	(1,201,475)	(4,110,771)	566,199
Cash and cash equivalents, beginning of year	17,994,607	14,338,319	27,116,296	1,740,359	61,189,581	13,574,923
Cash and cash equivalents, end of year	<u>\$ 18,613,127</u>	<u>13,962,917</u>	<u>23,963,882</u>	<u>538,884</u>	<u>\$ 57,078,810</u>	<u>14,141,122</u>

(continued)

CITY OF LODI
STATEMENT OF CASH FLOWS - continued
PROPRIETARY FUNDS
Year ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Reconciliation to the statement of net position:						
Cash and investments	\$ 6,383,017	13,853,935	6,755,522	538,884	\$ 27,531,358	\$ 14,141,122
Restricted cash and investments			14,832,904		14,832,904	
Restricted assets with fiscal agents - current	12,230,110	108,982	2,375,456		14,714,548	
Total cash and cash equivalents	<u>\$ 18,613,127</u>	<u>13,962,917</u>	<u>23,963,882</u>	<u>538,884</u>	<u>\$ 57,078,810</u>	<u>\$ 14,141,122</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	\$ 5,533,413	4,160,956	4,935,160	(3,903,536)	\$ 10,725,993	\$ 692,923
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,658,929	4,217,932	2,752,367	1,145,770	10,774,998	1,444
Other revenues	1,360,933	590,013	483,708	314,133	2,748,787	82,639
Change in assets and liabilities:						
Increase in loans receivable	(54,631)				(54,631)	
Decrease (increase) in accounts receivable	1,712,963	(4,361)	50,165		1,758,767	
Increase in advance receivables	(744,688)				(744,688)	
Decrease (increase) in due from other governmental agencies		7,150	(306,858)		(299,708)	
Decrease (increase) in inventory	267,074	(68,270)	92,259		291,063	(31,146)
Decrease (increase) in other assets		432	(337,813)		(337,381)	100
Increase (decrease) in accounts payable and accrued liabilities	(307,096)	899,480	66,245	173,367	831,996	(15,696)
Increase (decrease) in compensated absences	(54,069)	(80,187)	11,036	(6,656)	(129,876)	(15,370)
Decrease in net pension liability and related amounts	(150,439)	(77,014)	(4,716)	(8,906)	(241,075)	(12,595)
Decrease in unearned revenue			(208,114)		(208,114)	
Decrease in self-insurance liability						(715,872)
Decrease in pollution remediation obligation			(520,856)		(520,856)	
Increase in net OPEB obligation						576,453
Net cash provided by (used in) operating activities	<u>\$ 10,222,389</u>	<u>9,646,131</u>	<u>7,012,583</u>	<u>(2,285,828)</u>	<u>\$ 24,595,275</u>	<u>\$ 562,880</u>
<u>Noncash Investing, Capital and Financing Activities</u>						
Capital asset contributions	\$ 253,684	188,050	417,397		\$ 859,131	
Book value of disposed capital assets	1,130,455				1,130,455	
Amortization of issuance premium	24,908	174,567	19,700		219,175	

CITY OF LODI
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 238,905	\$ 428,973
Receivables:		
Interest		277
TOTAL ASSETS	238,905	429,250
 LIABILITIES		
Agency obligations		429,250
 NET POSITION - EXPENDABLE	\$ 238,905	\$

CITY OF LODI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year ended June 30, 2015

	Private-Purpose Trust Funds
ADDITIONS	
Investment and rental income	\$ 6
DEDUCTIONS	
Current	
Library	33,812
CHANGE IN NET POSITION	(33,806)
NET POSITION, BEGINNING OF YEAR	272,711
NET POSITION, END OF YEAR	\$ 238,905

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LODI
Notes to Basic Financial Statements
June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Financial Reporting Entity

The City of Lodi (City) was incorporated on December 6, 1906, as a municipal corporation under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, community development, public protection (police and fire), public utilities, library, parks and recreation.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

An elected five-member council governs the City of Lodi. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units, although legally separate entities, are, in substance, part of the City's operations and therefore, their activities are blended with data of the City.

Blended Component Units

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility. Since then, several Certificates of Participation were issued to finance various major projects (See Note 8).

The City Council constitutes the Board of Directors of LPIC. The funds of LPIC have been included in the Enterprise (Electric and Wastewater) Funds and in the other governmental funds in the accompanying basic financial statements.

The Lodi Financing Corporation (LFC) was formed on October 12, 1999, for the purpose of assisting the City with the financing of the costs of its environmental abatement program and enhancing the water supply of the City for the use, benefit and enjoyment of the citizens served by the City. The City Council is the Board of Directors of LFC. The funds of LFC are included in the Water Fund in the accompanying basic financial statements.

The Lodi Public Financing Authority (LPFA) was created by a Joint Exercise of Powers Agreement between the City and the Industrial Development Authority (IDA) on July 21, 2010, for the purpose of assisting the City in the financings of public capital improvements. The 2010 Water Revenue Certificates of Participation Series A and B were issued in October 2010 to provide funds for a new water treatment facility. On September 1, 2012, the **\$19,080,000** Refunding Lease Revenue Bonds (2012 LRB) was issued to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

and to refund the outstanding 1995 and 1996 Certificates of Participation. The **\$17,105,000** 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) was also issued in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City.

The City Council constitutes the Board of Directors of LPFA. The funds of LPFA have been included in the Enterprise (Water) Fund in the accompanying basic financial statements.

(b) Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds use the accrual basis of accounting, but they do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

The City reports the following major governmental 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.

The City reports the following major proprietary (enterprise) funds:

The **Electric Fund** accounts for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements, and maintenance and debt service.

The **Wastewater Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

The **Water Fund** accounts for the provision of water to the residents of the City as well as some customers in the San Joaquin County (County). All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the City's claims, benefits and fleet services.

The **Fiduciary Funds** account for assets held in trust for other agencies.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Private-Purpose Trust Funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments. They were established to account for assets held and invested by the Library Board as trustee; and to account for assets held by the City in accordance with a trust agreement on behalf of the Hutchins Square. These funds can only be spent in accordance with the trust agreements.

Agency Funds account for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges for customer services including: electric, wastewater, water and public transportation fees. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Cash and Investments

The City maintains a cash and investment pool that is available for all funds of the City for the purpose of increasing interest earnings through investment activities. Investments are generally stated at fair value with the exception of guaranteed investment contracts, which are stated at cost. Income earned or losses arising from the investment of pooled cash are allocated to various funds based on month-end cash balances in accordance with California Government Code Section 53647. Changes in fair value of investments are recognized as a component of investment income.

(e) Restricted Cash and Investments

The City accounts for certain settlement payments for environmental remediation as restricted with the understanding that these funds will be used exclusively for environmental clean up, investigation or remediation expenses incurred by the City in the specified areas and that they will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(f) Restricted Assets with Fiscal Agents

Restricted assets represent the proceeds from debt and other cash and investments held by fiscal agents by agreement that meet the definition of cash and cash equivalents, with the exception of a \$2,169,850 guaranteed investment contract held in the Wastewater Fund which is a long-term investment.

In the Electric Fund, restricted assets represent the proceeds of the 2002D and the 2008 Certificates of Participation restricted for debt service. In the Wastewater Fund, the restricted assets represent the proceeds of the 2004A and the 2007A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, restricted assets represent the proceeds of the 2010A and 2010B Revenue Bonds issued for the purpose of providing funds to pay the cost of a new Water Treatment Facility.

(g) Property Taxes

County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13, plus a percentage of the increase in market value in specific areas. The City's property tax lien is based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2015, upon which the 2014-15 levy was based, was \$5,418,050,000.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31 and becomes delinquent after August 31.

Property taxes levied for the year ended June 30, 2015, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue in governmental funds.

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The City receives 95% of the property taxes in advance from the County and the 5% remaining after reconciling the City's balance at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

(h) Due From/Due To Other Funds, Advances To/Advances From Other Funds, and Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." Long-term interfund loans

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

receivable are reported as “advances to other funds.” The corresponding long-term interfund loans payable are reported as “advances from other funds.” In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

(i) Transfers

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures/expenses, initially made by one fund that is properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

(j) Long-term Obligations

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium. Losses occurring from advance refunding are reported as deferred outflows of resources and amortized as an expense for both governmental and business-type activities.

(k) Loans Receivable

Loans receivable reported in the HOME Program and Community Development Block Grants Special Revenue Fund represent funds loaned to first-time homebuyers. Loans receivable in the Electric Enterprise Fund represent loans to eligible industrial and commercial customers participating in the Lodi Energy Efficiency Financing Pilot Project.

In December 2009, the City entered into a contractual relationship with the California Department of Housing and Community Development (HCD) to administer a First-time Homebuyers Program. The loan program is intended to provide deferred down-payment assistance to first-time homebuyers who are at or below 80% of the median income, for the purchase of homes within Lodi. The loan bears 2% interest and is due and payable 30 years from close of escrow, upon transfer of the property or when the home is no longer owner-occupied, whichever comes first.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

In October 2010, the City established a loan fund in its public benefits program from which G2 electric utility rate commercial and industrial customers may borrow money to implement energy conservation projects in their facilities. The loan is at zero interest rate payable in two years capped at \$50,000 per customer. As of June 30, 2015, a total of twenty-one loans to industrial and commercial customers have been approved.

(l) Advance Receivable

Advance receivable reported in the Electric Enterprise Fund represents the City's portion of the Northern California Power Agency's (NCPA) General Operating Reserve that is refundable upon demand by the City (See Note 12).

(m) Inventory

Other governmental funds inventories are recorded at cost and are recognized as expenditures when consumed rather than when purchased. For the proprietary fund types, inventories are recorded at cost using the weighted average cost method, which approximates market, and expense is recognized when inventories are consumed in operations.

(n) Deferred Outflows and Inflows of Resources

Unamortized Losses on Defeasance

Deferred outflows of resources reported in the Electric Enterprise Fund and business-type activities include refunding loss incurred in connection with the issuance of the 2008 Certificates of Participation Series A amortized over 24 years. The deferred outflows of resources reported in the Wastewater Enterprise Fund and business-type activities include refunding loss incurred on the issuance of the 2007A Certificates of Participation amortized over 20 years and the 2012 Refunding Revenue Bonds amortized over 11 years. Deferred outflows of resources reported in the governmental activities represent refunding loss incurred with the issuance of the 2012 Refunding Lease Revenue Bonds.

Related to Pensions

Pension contributions made in the current year are reported as deferred outflows of resources per GASB Statement No. 71 as the CalPERS' valuation measurement date is June 30, 2014. Those contributions will be expensed in fiscal year 2015-16. Plan earnings in excess of earnings projected in the CalPERS actuarial report are reported as deferred inflows of resources.

Unavailable Revenue

The unavailable revenue in the other governmental funds is related to the HCD's First-time Homebuyers Program.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(o) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of \$3,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the General and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net position. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 - 40
Machinery and equipment	2 - 40
Vehicles	5 - 15
Infrastructure	10 - 50

(p) Compensated Absences/Vacation and Sick Leave

The City accrues for compensated absences, in the government-wide financial statements and the proprietary funds financial statements, to pay its employees for the unused vacation, compensatory time, and miscellaneous leave. The City is not obligated to pay for unused sick leave if employees terminate prior to retirement.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(q) Pensions

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

GASB Statement No. 68 requires 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:	June 30, 2013
Measurement Date:	June 30, 2014
Measurement Period:	July 1, 2013 to June 30, 2014

(r) Self-Insurance

The City is self-insured for general liability, workers' compensation, dental benefits, unemployment and long-term disability. Various City funds are charged premiums for the City's self-insurance liability, which is accounted for in an internal service fund. The accrued liability for estimated self-insured claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred but not reported.

(s) Net Position

In the government-wide and proprietary funds financial statements, net position is reported in one of three categories:

Net Investment in Capital Assets – This category consists of capital assets net of accumulated depreciation and reduced by deferred outflows of resources and outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – Assets restricted by external creditors, grantors, contributors, or laws or regulations of other governments reduced by liabilities related to those assets.

Unrestricted Net Position – This category consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(t) Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets, liabilities and deferred inflows of resources. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified in categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2015 and classified fund balances into the following five categories:

Nonspendable – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to remain intact.

Restricted – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City's various governmental funds.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action by the City's "highest level of decision-making authority", which the City considers to be an ordinance passed by the Lodi City Council.

Assigned – Amounts that have been allocated by action of the Lodi City Council in which the City's intent is to use the funds for a specific purpose. Once assigned, funds may only be released by resolution of the City Council.

Unassigned – Amounts that constitute the residual balances that have no restrictions placed upon them and are reported in the General Fund. For other governmental funds, as restrictions exceed available resources only deficit amounts are reported in the unassigned category.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City does not have a policy on the order of spending unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the City uses committed resources first, then assigned resources and unassigned resources last as they are needed.

It is the City's policy to maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses and the target for the Electric Enterprise Fund working capital is

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

\$23.7 million. The policy allows for variations from year-to-year to account for economic and fiscal changes. The City Council also adopted a policy to establish the following reserves:

Catastrophic reserve - To maintain the ability of the City to meet operational costs during times of declared emergency or major catastrophe, the City shall designate General Fund balance of a minimum of 8% of annual General Fund revenues. This reserve may only be drawn upon pursuant to an emergency as declared under the Municipal Code.

Economic reserve - To maintain the City's economic viability and to meet seasonal cashflow shortfalls, the City shall designate General Fund economic reserve balance of a minimum of 8% of annual General Fund revenues. Funding the economic reserve will begin in the fiscal year following full funding of the catastrophic reserve. Funding may only be disbursed upon a resolution of the City Council.

Once fully funded, if these reserves fall below 5% of annual revenues, the City Manager shall prepare a plan within three months of approval of the City's Financial Statements. This plan will restore the 5% within 12 months and the 8% within 24 months.

(u) Statement of Cash Flows

A statement of cash flows is presented for proprietary fund types. For purposes of reporting cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased and investments maintained in the pool to be cash equivalents.

(v) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(w) Implementation of New Governmental Accounting Standards

During the year ended June 30, 2015, the City implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (collectively, the Statements). The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The net pension liability offset by the related deferred outflows of resources as of June 30, 2014 reduced the City's beginning net position of its governmental activities, business-type activities, Electric Fund, Wastewater Fund, Water Fund, Transit Fund, and internal service funds by \$80,965,314, \$19,689,250, \$11,101,735, \$7,369,943, \$724,395, \$493,177, and \$1,081,238, respectively.

(x) Future Implementation of New Governmental Accounting Standards

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for the City's year ending June 30, 2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statement Nos. 67 and 68. The requirements of this statement are effective for the City's year ending June 30, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the City's year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the hierarchy of generally accepted accounting principles to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specific with a source of authoritative GAAP. The requirements of this statement are effective for the City's year ending June 30, 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for the City's year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized cost for financial reporting purposes. Pool participants should also measure their investments at amortized cost if the external pool meets these criteria. If an external investment pool does not meet the criteria, then the pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Pool participants should measure their investments in that pool at external investment pools that measure all of their investments at amortized cost and for governments that participate in those pools. The

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

requirements of this statement are effective for the City's year ending June 30, 2017.

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Government-wide statement of net position:	
Cash and investments	\$ 68,879,497
Restricted assets	31,717,302
Fiduciary funds cash and investments:	
Private-purpose trust funds	238,905
Agency fund	428,973
Total cash and investments	<u>\$ 101,264,677</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 3,071
Deposits with financial institutions	8,583,383
Investments	92,678,223
Total cash and investments	<u>\$ 101,264,677</u>

(a) Authorized Investments

The City has adopted an investment policy pursuant to Government Code Section 53601 which authorizes the City to invest in obligations of the U.S. Treasury, U.S Government agency securities and instruments, bankers' acceptances, certificates of deposit, negotiable certificates of deposit, commercial paper, State of California Local Agency Investment Fund (LAIF), Investment Trust of California (CALTRUST), Certificate of Deposit Account Registry Service (CDARS), mutual funds that invest in eligible securities, supranationals and medium term notes as permitted by the Government Code. The City is not authorized to enter into reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The following table identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

Permitted Investments/Deposits	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One issuer
U.S. Treasury Obligations	5 years	100%	
U.S. Agency Securities	5 years	100%	
Banker's Acceptances	180 days	40%	25%
Certificates of Deposit	5 years	100%	
Negotiable Certificates of Deposit	5 years	30%	
Commercial Paper	270 days	40%	
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	\$50m per account
Passbook Deposits	Indefinite	100%	
Money Market Mutual Funds	Indefinite	20%	
Guaranteed Investment Contracts (GICs)	5 years	100%	
Medium term Notes	5 years	30%	
Investment Trust of California (CALTRUST)	Indefinite	100%	
Certificate of Deposit Account Registry Service (CDARS)	5 years	30%	
Supranational Obligations	5 years	30%	

(b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements as to the extent that they are permissible investments of funds of the City.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

<u>Investment as of June 30, 2015</u>	Maturity		Total
	Less than One Year	One to Five Years	
LAIF	\$ 31,944,790		\$ 31,944,790
CALTRUST		43,615,455	43,615,455
Money Market Mutual Funds	123,254		123,254
Held by bond trustee:			
Negotiable Certificates of Deposit	1,010,755	3,539,300	4,550,055
U.S. Agency Securities		631,224	631,224
LAIF	1,737,159		1,737,159
Money Market Mutual Funds	7,796,111		7,796,111
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total investments subject to interest rate risk	<u>\$ 42,612,069</u>	<u>49,955,829</u>	92,567,898
Equities and options			110,325
Total investments			<u>\$ 92,678,223</u>

Investments in equities are shares of stock received by the Library as an endowment from a private citizen.

(d) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market mutual funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by S&P of "AAA-m." The GICs and LAIF do not have a rating provided by a nationally recognized statistical rating organization. The CALTRUST Short term fund is rated "AA/S1+" by S&P while the CALTRUST Medium term fund is rated "A or better." The negotiable certificates of deposit are all rated AAA.

In accordance with the City's investment policy in selecting authorized investments, consideration must be given to credit ratings and collateralization of applicable instruments, however, the City does not have a minimum credit rating limitations policy.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(e) Concentration of Credit Risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in LAIF, CALTRUST, and money market mutual funds are not subject to the concentration of credit risk disclosure. There are no investments with any one issuer greater than 5% of total investments.

(f) 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 collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision 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. 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 deposits. \$9,652,164 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

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 the 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

(g) Investments in Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF at June 30, 2015 was \$21.5 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2015 had a balance of \$69.6 billion. Of this amount, 2.08% was invested in medium-term and short-term structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 239 days as of June 30, 2015.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool of shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's portion of the pool. Withdrawals from LAIF are done on a dollar for dollar basis.

In accordance with GASB Statement 31, investments are marked to fair value annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar to dollar basis and only a withdrawal from the pool size that jeopardizes pool participants would cause the withdrawal to be done at market value.

The City is also a participant in the Investment Trust of California Joint Powers Authority Pool (CALTRUST). At June 30, 2015, the City's investment in CALTRUST is \$43.6 million. CALTRUST is an innovative partnership between the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. The weighted average to maturity of CALTRUST investments was as follows: CALTRUST Short Term, 16 months and CALTRUST Medium, 24 months. The Board of Trustees, which is made up of experienced local treasurers and Investment Officers has oversight responsibility for CALTRUST. The value of the pool shares in CALTRUST, which may be withdrawn, is determined on a fair value basis, which may be different than the amortized cost of the City's portion of the pool. The total amount invested in CALTRUST by California public agencies, as of June 30, 2015 was divided among the following asset classes: CALTRUST Short term was \$989 million and CALTRUST Medium Term was \$790 million.

(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Receivables of the General Fund, Electric, Wastewater and Water funds are reported net of uncollectible amounts. Total allowance provided for uncollectible amounts related to receivables of the current period are as follows:

Uncollectibles related to late charges and services	\$	4,090
Uncollectibles related to electric sales and services		178,970
Uncollectibles related to wastewater services		47,980
Uncollectibles related to water sales and services		75,800
Total uncollectibles of the current fiscal year	\$	306,840

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2015 are as follows:

Due from	Due to	Amount
Other governmental	Other governmental	\$ <u>93,114</u>

“Due to” and “due from” balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The \$93,114 represents cash deficits in other governmental funds.

Advances from	Advances to	Amount
Wastewater	Other governmental	\$ 376,429
Water	Electric	576,378
Water	Other governmental	<u>1,174,025</u>
		\$ <u>2,126,832</u>

The \$376,429 advance from the Wastewater Fund was used for the Impact Mitigation Fees update, \$55,000; and \$321,429 was used for the Grape Bowl Improvements - Phase 3. The advances from the Water Fund were used for the City Hall Annex Phase 2, \$576,378; and for the construction of Fire Station #4, \$1,174,025.

(5) TRANSFERS

Transfers for the year ended June 30, 2015, are summarized as follows:

<u>Transfers out:</u>	<u>Transfers in</u>		Total
	General	Other Governmental	
General	\$	7,128,586	\$ 7,128,586
Other governmental		907,176	907,176
Electric	2,104,000	1,719,858	3,823,858
Wastewater	1,068,000	826,378	1,894,378
Water	780,000	1,015,378	1,795,378
Internal service		50,000	50,000
Total	\$ <u>3,952,000</u>	<u>11,647,376</u>	\$ <u>15,599,376</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

During the year, various interfund transfers were made to finance expenditures, subsidize operating losses and service debt.

Transfers out of \$2,104,000 from the Electric Fund, \$1,068,000 from the Wastewater Fund, and \$780,000 from the Water Fund represent the cost of services reimbursement to the General Fund.

The transfer of \$7,128,586 from the General Fund to other governmental represents transfer of \$509,403 to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds; \$3,583,243 to Parks, Recreation and Community Services for operating costs; \$126,160 to Community Development for operating costs; \$806,780 to the Vehicle and Equipment Fund for vehicle replacements and computer replacements; and \$1,511,200 to the Capital Outlay Reserve Fund for various capital projects; and \$591,800 to the Streets Fund for various streets projects.

The transfer out of \$907,176 from other governmental to other governmental includes \$335,410 transferred from Parks, Recreation and Community Services to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds, transfer of \$150,500 from Parks, Recreation and Community Services to Parks Capital Fund for park-related capital projects, transfer of \$189,000 from Streets and \$125,300 transfer from Vehicle and Equipment Fund to Capital Outlay Reserve for various capital projects, and transfer of \$2,510 from the Community Development, \$31,866 from Public Safety and \$72,590 from the Parks, Recreation and Community Services to the Vehicle and Equipment Fund for fleet replacement.

The transfer out from the Electric Fund of \$1,719,858, transfer out from Wastewater Fund for \$826,378, Water Fund for \$1,015,378, and \$50,000 from the Insurance Fund, to other governmental represent transfers to the Capital Outlay Reserve Fund for various capital projects.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2015, was as follows:

<u>Governmental activities</u>	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 24,933,134	14,700		\$ 24,947,834
Work of Art	304,907			304,907
Construction in progress	4,407,042	7,955,423	(237,786)	12,124,679
Total capital assets, not being depreciated	<u>29,645,083</u>	<u>7,970,123</u>	<u>(237,786)</u>	<u>37,377,420</u>
Capital assets, being depreciated:				
Buildings and improvements	68,538,889			68,538,889
Machinery and equipment	11,335,038	329,853	(58,053)	11,606,838
Vehicles	10,346,394	696,076		11,042,470
Infrastructure	140,164,672	237,786		140,402,458
Total capital assets, being depreciated	<u>230,384,993</u>	<u>1,263,715</u>	<u>(58,053)</u>	<u>231,590,655</u>
Less accumulated depreciation for:				
Buildings and improvements	30,250,848	1,943,658		32,194,506
Machinery and equipment	10,608,625	507,040	(58,053)	11,057,612
Vehicles	9,028,154	255,649		9,283,803
Infrastructure	84,893,997	5,834,705		90,728,702
Total accumulated depreciation	<u>134,781,624</u>	<u>8,541,052</u>	<u>(58,053)</u>	<u>143,264,623</u>
Total capital assets, being depreciated, net	<u>95,603,369</u>	<u>(7,277,337)</u>		<u>88,326,032</u>
Governmental activities capital assets, net	<u>\$ 125,248,452</u>	<u>692,786</u>	<u>(237,786)</u>	<u>\$ 125,703,452</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

<u>Business-type activities</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 5,535,718			\$ 5,535,718
Construction in progress	4,029,855	10,449,092		14,478,947
Total capital assets, not being depreciated	<u>9,565,573</u>	<u>10,449,092</u>		<u>20,014,665</u>
Capital assets, being depreciated:				
Buildings and improvements	47,395,387			47,395,387
Machinery and equipment	265,429,564	2,353,163	(1,972,823)	265,809,904
Vehicles	9,773,724	3,063,258	(1,600,595)	11,236,387
Total capital assets, being depreciated	<u>322,598,675</u>	<u>5,416,421</u>	<u>(3,573,418)</u>	<u>324,441,678</u>
Less accumulated depreciation for:				
Buildings and improvements	16,264,541	1,790,629		18,055,170
Machinery and equipment	74,231,485	7,989,032	(842,368)	81,378,149
Vehicles	7,059,271	995,337	(1,600,595)	6,454,013
Total accumulated depreciation	<u>97,555,297</u>	<u>10,774,998</u>	<u>(2,442,963)</u>	<u>105,887,332</u>
Total capital assets, being depreciated, net	225,043,378	(5,358,577)	(1,130,455)	218,554,346
Business-type activities capital assets, net	<u>\$ 234,608,951</u>	<u>5,090,515</u>	<u>(1,130,455)</u>	<u>\$ 238,569,011</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

General government	\$ 524,974
Public protection	898,317
Public works	5,942,856
Community development	4,515
Library	72,651
Parks and recreation	1,096,295
Internal service funds	<u>1,444</u>
Total depreciation expense - governmental activities	<u>\$ 8,541,052</u>

Business-type activities:

Electric	\$ 2,658,929
Wastewater	4,217,932
Water	2,752,367
Transit	<u>1,145,770</u>
Total depreciation expense - business-type activities	<u>\$ 10,774,998</u>

(7) OPERATING LEASES

The City is obligated under an operating lease for the use of facilities. Total costs for such lease was \$21,000 for the year ended June 30, 2015.

Future minimum lease payments required by this lease agreement that has a remaining noncancellable lease term of one year or more as of June 30, 2015, are as follows:

<u>Years Ending</u>	
2016	\$ 21,000
Total minimum lease payments required under operating leases	<u>\$ 21,000</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(8) LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2015:

Governmental activities:	<u>Interest Rates</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Compensated absences		\$ 6,391,050	1,490,475	(2,069,485)	\$ 5,812,040	\$ 1,490,475
2012 Lease Revenue Bonds	2.0-5.0%	19,080,000			19,080,000	260,000
Issuance premium		924,080		(53,830)	870,250	53,830
Total		<u>20,004,080</u>		<u>(53,830)</u>	<u>19,950,250</u>	<u>313,830</u>
Note payable	6.0%	<u>245,000</u>			<u>245,000</u>	
Self-insurance liability		<u>9,021,759</u>	634,932	(1,350,804)	<u>8,305,887</u>	<u>634,932</u>
Governmental activities long-term liabilities		<u>\$ 35,661,889</u>	<u>2,125,407</u>	<u>(3,474,119)</u>	<u>\$ 34,313,177</u>	<u>\$ 2,439,237</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

	<u>Interest Rates</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Business-type activities:						
Compensated absences		\$ 1,844,614	527,570	(657,446)	1,714,738	\$ 527,569
Pollution remediation obligation		19,112,962		(520,856)	18,592,106	
Certificates of Participation and Revenue Bonds:						
2010 Water Revenue Bonds A & B	2.50-6.637%	36,265,000		(850,000)	35,415,000	870,000
Issuance premium		512,205		(19,700)	492,505	19,700
Total		36,777,205		(869,700)	35,907,505	889,700
2008 Certificates of Participation A	3.8-5.05%	60,685,000			60,685,000	
Issuance premium		448,356		(24,908)	423,448	24,909
Total		61,133,356		(24,908)	61,108,448	24,909
2002 Certificates of Participation D	1.54-5.25%	10,155,000		(4,960,000)	5,195,000	5,195,000
2004 Certificates of Participation A	2.0-5.5%	2,070,000			2,070,000	
2007 Certificates of Participation A	4.0-5.0%	29,605,000		(145,000)	29,460,000	155,000
Issuance premium		192,582		(8,254)	184,328	8,253
Total		29,797,582		(153,254)	29,644,328	163,253
2012 Wastewater Revenue Bonds A	2.0-5.0%	15,825,000		(1,355,000)	14,470,000	1,380,000
Issuance premium		1,538,399		(166,313)	1,372,086	166,313
Total		17,363,399		(1,521,313)	15,842,086	1,546,313
Total Certificates of Participation and Revenue Bonds		157,296,542		(7,529,175)	149,767,367	7,819,175
Business-type activities long-term liabilities		\$ 178,254,118	527,570	(8,707,477)	\$ 170,074,211	\$ 8,346,744

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds self-insurance liability for \$8,305,887 was included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Long-term debt payable at June 30, 2015, comprised of the following individual issues:

Note Payable

The City issued a \$245,000 promissory note to James E. Dean and Carol Dean, as trustees of the James E. Dean Family Trust, for the purchase of 307 W. Elm Street property, which is the site of the Public Safety Building. Interest is payable quarterly and principal is due on April 1, 2017.

Annual debt service requirements to maturity of the note payable are as follows:

Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$	\$ 14,700
2017	<u>245,000</u>	<u>11,025</u>
Total	<u>\$ 245,000</u>	<u>\$ 25,725</u>

Certificates of Participation and Revenue Bonds

\$27,360,000 Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from \$170,000 to \$2,070,000 with final payment due October 1, 2024. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$2,954,925. Interest paid for the current year and total net revenues were \$98,325 and \$9,509,480, respectively.

\$30,320,000 Certificates of Participation (2007A COP) were issued on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to provide resources for the repayment of the 1991 Certificates of Participation (Wastewater Treatment Plant Expansion Refunding Project). Principal is payable annually on October 1 in amounts ranging from \$105,000 to \$2,980,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$52,429,588. Principal and interest paid for the current year and total net revenues were \$1,602,850 and \$9,509,480, respectively.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

\$22,740,000 Revenue Certificates of Participation Series D (2002 COP) were issued to buy out the energy purchase agreement with Calpine.

In February 2001, the City entered into an energy purchase agreement (the Original Agreement) with Calpine Energy Services L.P. (Calpine) to purchase 25 MW of energy at \$65/mwh for a ten-year period beginning January 1, 2002. Since the execution of the Original Agreement, actions of the State in connection with the energy market conditions, including the initiation of conservation programs, and other factors, have resulted in lower electric load requirements and reduced energy costs throughout the State. As a result, the City's need for the energy purchased under the Original Agreement to serve its load has been reduced. The Original Agreement was amended on September 4, 2002, and was divided into three parts. The City sold its interests in the energy purchased under the Original Agreement to Calpine and nets the payments due from the City with respect to its purchase of such energy against the payments due from Calpine with respect to its purchase of the City's rights to such energy. Principal is payable annually on July 1 in amounts ranging from \$110,000 to \$5,195,000 with final payment due July 1, 2015.

The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$5,331,368. Principal and interest paid for the current year and total net revenues were \$5,360,458 and \$15,016,570.

The City issued **\$60,685,000** Certificates of Participation (2008A COP) on July 24, 2008 to allow the City to prepay and cause the immediate defeasance of the outstanding \$46,760,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates) and to pay \$8,979,000 for the termination of a swap agreement related to the refunded 2002 certificates. Principal is payable annually on July 1 in amounts ranging from \$2,390,000 to \$5,090,000 beginning in 2016 with final payment due in 2032. The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$90,900,400. Interest paid for the current year and total net revenues were \$2,957,775 and \$15,016,570, respectively.

On October 1, 2010, the City issued **\$9,015,000** Water Revenue Bonds, 2010 Series A and **\$29,650,000** Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) (2010 Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system. Principal is payable annually on June 1 in amounts ranging from \$775,000 to \$2,210,000 with final payment due June 1, 2040. The City has pledged future water revenues, net of operation and maintenance costs, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$69,267,196. Principal and interest paid for the current year and total net revenues were \$2,356,141 and \$7,554,798, respectively.

The City issued **\$19,080,000** Refunding Lease Revenue Bonds (2012 LRB) on September 1, 2012 to allow the City to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2015, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Square Conference and Performing Arts Center. The total principal and interest remaining to be

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

paid on the 2012 LRB is \$27,455,956. Principal is payable annually on October 1 in amounts ranging from \$260,000 to \$1,605,000 beginning in 2016 with final payment due in 2031. Interest paid for the current year was \$844,812.

The City issued **\$17,105,000** 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2012 Bonds is \$17,513,950. Principal is payable annually on October 1 in amounts ranging from \$1,280,000 to \$1,885,000 beginning in 2013 with final payment due in 2023. Principal and interest paid for the current year and total net revenues were \$1,970,350 and \$9,509,480 respectively. At June 30, 2015, the remaining balance of the refunded debt is \$0.

The various indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

Annual debt service requirements to maturity for certificates of participation and bonds are as follows:

Year Ending June 30,	Governmental Activities				Business-type Activities			
		Principal		Interest		Principal		Interest
2016	\$	260,000	\$	840,913	\$	7,600,000	\$	7,324,025
2017		830,000		824,563		4,880,000		6,969,356
2018		860,000		794,912		5,110,000		6,767,006
2019		900,000		755,212		5,310,000		6,540,606
2020		930,000		721,087		5,535,000		6,304,106
2021-2025		5,345,000		2,903,717		32,040,000		27,359,983
2026-2030		6,810,000		1,404,480		37,270,000		18,407,003
2031-2035		3,145,000		131,072		32,370,000		8,810,488
2036-2040						17,180,000		2,619,854
Total	\$	<u>19,080,000</u>	\$	<u>8,375,956</u>	\$	<u>147,295,000</u>	\$	<u>91,102,427</u>

Industrial Development Bonds

The City of Lodi has lent its name to the City of Lodi Industrial Development Authority for the purpose of issuing the following industrial development bonds: Minton Corporation \$5,000,000; Dart Corporation \$8,000,000; Wallace Computer Services \$3,000,000; and Luster-Cal Nameplate Corporation \$3,000,000. These bonds are special obligation bonds only, payable solely out of the bond revenues or other sources of

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

the above companies and are not a pledge of the general credit of the City. The City is not obligated for the redemption or administration of these industrial development bonds.

Woodbridge Irrigation District Bonds

On October 8, 2003, the City lent its name to the Woodbridge Irrigation District (the "District") in the procurement of \$11.745 million 2003 Revenue Certificates of Participation, to provide funds to finance the costs of construction of a new diversion dam on the Mokelumne River and related facilities of the water district. A significant portion of the District's sources of payment for the 2003 Certificates are expected to be derived from amounts to be received by the District from the City of Lodi pursuant to an Agreement for the purchase of water from the District by the City of Lodi, dated May 13, 2003 (the "Lodi Water Sales Agreement"). Under the agreement, the City will purchase 6,000 acre feet of water per annum from the District for 40 years.

(9) PENSION PLAN

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous and Safety Plans (Plans), agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 10 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan		
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>	
Hire date			
Benefit formula	2% @ 55	2% @ 62	
Benefit vesting schedule	5 years of service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50-55	52-67	
Monthly benefits, as a % of eligible compensation	2%-2.418%	1% to 2.5%	
Required employee contribution rates	7%	6.75%	
Required employer contribution rates	19.994%	19.994%	
	Safety Plan		
	Prior to <u>December 22, 2012</u>	December 22, 2012 to <u>December 31, 2012</u>	On or after <u>January 1, 2013</u>
Hire date			
Benefit formula	3% @ 50	3% @ 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	50-55	50-57
Monthly benefits, as a % of eligible compensation	3%	2.4% to 3%	2% to 2.7%
Required employee contribution rates	9%	9%	11.25%
Required employer contribution rates	40.87%	40.87%	40.87%

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Employees Covered

At June 30, 2013, the most recent actuarial valuation available, the following employees were covered by the benefits of the City's Plans:

	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	355	158
Inactive employees entitled to but not yet receiving benefits	134	16
Active employees	256	118
Total	<u>745</u>	<u>292</u>

Contributions

For the year ended June 30, 2015, the City's actuarially determined contributions were as follows:

	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	355	158
Inactive employees entitled to but not yet receiving benefits	134	16
Active employees	256	118
Total	<u>745</u>	<u>292</u>

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

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Investment Rate of Return	7.5% (1)	7.5% (1)
Mortality	Based on rates of CalPERS Experience Study	

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial by the City.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 ⁽¹⁾</u>	<u>Real Return Years 11+ ⁽²⁾</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

⁽¹⁾ An expected inflation of 2.5 percent used for this period.

⁽²⁾ An expected inflation of 3.0 percent used for this period.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (1)	\$ 158,694,446	\$ 111,971,008	\$ 46,723,438
Changes in the year:			
Service cost	2,478,901	-	2,478,901
Interest on the total pension liability	11,705,179	-	11,705,179
Contribution - employer	-	2,694,850	(2,694,850)
Contribution - employee	-	1,237,916	(1,237,916)
Net investment income (2)	-	19,249,151	(19,249,151)
Benefit payments, including refunds of employee contributions	(7,729,680)	(7,729,680)	-
Net changes during measurement period	6,454,400	15,452,237	(8,997,837)
Balance at June 30, 2014	\$ 165,148,846	\$ 127,423,245	\$ 37,725,601

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (1)	\$ 154,077,401	\$ 93,345,381	\$ 60,732,020
Changes in the year:			
Service cost	3,048,048	-	3,048,048
Interest on the total pension liability	11,390,793	-	11,390,793
Contribution - employer	-	4,106,044	(4,106,044)
Contribution - employee	-	1,058,376	(1,058,376)
Net investment income (2)	-	16,070,261	(16,070,261)
Benefit payments, including refunds of employee contributions	(7,448,361)	(7,448,361)	-
Net changes during measurement period	6,990,480	13,786,320	(6,795,840)
Balance at June 30, 2014	\$ 161,067,881	\$ 107,131,701	\$ 53,936,180

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self insurance and OPEB expense.

(2) Net of administrative expenses.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each 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:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$58,879,248	\$75,439,730
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$37,725,601	\$53,936,180
1% Increase	8.50%	8.50%
Net Pension Liability	\$20,138,259	\$36,195,422

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports

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

For the year ended June 30, 2015, the City recognized pension expense of \$2,515,043 and \$4,662,330 for the Miscellaneous and Safety Plans, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,252,760	\$	\$ 3,995,128	\$
Net differences between projected and actual earnings on plan investments		8,818,030		7,352,126
Total	<u>\$ 3,252,760</u>	<u>\$ 8,818,030</u>	<u>\$ 3,995,128</u>	<u>\$ 7,352,126</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The \$3,252,760 and \$3,995,128 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Miscellaneous Plan	Safety Plan
2016	\$ 2,204,507	\$ 1,838,032
2017	2,204,507	1,838,032
2018	2,204,507	1,838,032
2019	2,204,509	1,838,030
Total	\$ 8,818,030	\$ 7,352,126

(10) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(a) Plan Description

The City sponsors a single-employer defined-benefit postemployment healthcare plan (Retiree Health Plan) to provide medical insurance benefits to eligible retired employees and their spouses. The Plan does not issue a publicly available financial report. Medical coverage is provided through CalPERS healthcare program. Employees who retire from the City and receive a CalPERS pension are eligible for postemployment medical benefits. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. In general, retirees must contribute any premium amounts in excess of the City contribution. However, as described below, a closed group of active employees and retirees receive additional postemployment benefits.

Employees hired prior to the dates shown in the following table are allowed to convert their accumulated sick leave into postemployment medical benefits at retirement as long as they have ten or more years of service with the City.

Group	Hired prior to:
Executive Management	July 1, 1994
Mid-Management	July 1, 1994
Fire Mid-Management	December 6, 1995
Police Mid-Management	July 1, 1994
General Services	July 1, 1995
IBEW	July 1, 1995

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Maintenance and Operators	July 1, 1995
Dispatchers	July 9, 1994
Police	October 10, 1994
Fire	December 6, 1995

The most widely elected options are the “Bank” option and the “Conversion” option. Under the “Bank” option, accumulated sick leave amounts are translated by specified formulas into a bank amount that is then used to pay postemployment healthcare premiums until the “Bank” is exhausted. Under the “Conversion” option, the accumulated sick leave hours are converted by specified formulas into a period of time during which the retiree will receive postemployment benefits. The number of hours is multiplied by 50% and converted to days. The City pays one month’s premium for employee and dependents for each day after conversion. For each year of employment in excess of ten years, 2.5% is added to the 50% before conversion. The amount of premium paid will be the same as the premium paid by the City at the time of retirement. In the event that the premium increases, the retiree pays the difference.

The City also allows a surviving dependent of a retiree to enroll in the Sick Leave Conversion program to purchase medical insurance at the employee only premium for the same period as if the retiree was still alive. Retirees are allowed to enroll in any of the available CalPERS medical plans. The CalPERS minimum amount will continue for the life of the retiree and surviving spouse. The “Conversion” benefit will continue until the end of a period that is based on accumulated sick leave at retirement.

(b) Funding Policy

Contribution requirements of the Retiree Health Plan are based on pay-as-you-go financing. For fiscal year 2014-15, the City contributed \$699,748, or 54.83%, of the actuarially required contributions.

(c) Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$	1,315,853
Interest on net OPEB obligation		190,691
Adjustment to annual required contribution		<u>(230,343)</u>
Annual OPEB cost (expense)		1,276,201
Contributions made		<u>(699,748)</u>
Increase in net OPEB obligation		576,453
Net OPEB obligation - beginning of year		<u>4,767,274</u>
Net OPEB obligation - end of year	\$	<u><u>5,343,727</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, are as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2013	\$ 1,283,605	51.08%	\$ 4,249,526
06/30/2014	1,223,236	57.67%	4,767,274
06/30/2015	1,276,201	54.83%	5,343,727

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(d) Funding Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$	16,879,493
Actuarial value of plan assets		16,879,493
Unfunded actuarial accrued liability (UAAL)	\$	16,879,493
Funded ratio (actuarial value of plan assets/AAL)		0%
Annual covered payroll (active plan members)	\$	5,697,043
UAAL as percentage of annual covered payroll		296%

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

(e) Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial methods and the assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% discount rate to calculate the present value of future benefit payments; a 2.75% inflation rate; an annual healthcare cost trend rate of 7.5% for calendar year 2015, increasing to 8.5% for calendar year 2016, then gradually decreasing to 4.5% for calendar year 2021 and beyond; the CalPERS minimum benefit will increase 4% per year; a 3.00% annual rate of increase in payroll; assumed that 100% of future eligible retirees will elect to maintain their enrollment in a CalPERS medical plan and qualify for the City's minimum contribution; 75% of future retirees will enroll a spouse; and also assumed that 100% of General Services, Maintenance and Operators and Dispatchers will elect the conversion option and 50% of Executive Management, Mid Management and Police will elect the option. The conversion option is not available to IBEW and Fire retirees. The unfunded

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

actuarial accrued liability is amortized as a level percentage of expected payroll over a closed thirty year period. As of June 30, 2015, the remaining amortization period is 24 years.

(11) CLAIMS AND BENEFITS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured as discussed in the following paragraphs for which liabilities are recorded in the Internal Service Fund-Insurance Fund.

The City is self-insured for general liability up to the first \$500,000 per occurrence with claims from \$500,000 to \$40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City has not had any settlements that exceeded its general liability insurance coverage (See Note 13).

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to \$300,000,000 in the current year. The City has not had any settlements that exceeded its workers' compensation insurance coverage (See Note 13).

The City is fully self-insured for dental and unemployment for its employees.

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of \$8,305,887 at June 30, 2015, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of GASB Statement No. 62, which requires that a liability for claims 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 the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for the years ended June 30, 2015 and 2014 are as follows:

	<u>Beginning</u>	Current-Year Claims and Changes <u>in Estimates</u>	Claim <u>Payments</u>	<u>Ending</u>
FY 13-14	\$ 9,117,062	\$ 1,050,613	\$ (1,145,916)	\$ 9,021,759
FY 14-15	9,021,759	634,932	(1,350,804)	8,305,887

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(12) PARTICIPATION IN JOINT VENTURES

Northern California Power Agency

The City, along with thirteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. Its membership consists of eleven cities with publicly owned electric utility distribution systems, one irrigation district, one public utility district, one port authority and three other associate member entities. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A commission comprising of one representative from each member organization governs NCPA. The commission is responsible for the general management of the affairs, property and business of NCPA. Under the direction of the general manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA and its associated power corporations.

Project Financing and Construction

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each Project Participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

General Operating Reserve with NCPA

Members of NCPA established a general operating reserve in 1992 for the purposes of providing a vehicle to fund reasonably foreseeable contingent liabilities. It was set up primarily to provide the following advantages: minimizes the number and dollar amount of reserve that might otherwise be funded separately in connection with NCPA's individually financed operating plants, projects and programs; provides each member with flexibility and unilateral control over the determination of what they will fund, how they will fund it and what expenditures from the reserve will be made on their individual behalf. It provides funding for contingent liabilities that are not budgeted but that may require significant future expenditures. The reserve is segregated by participant and is refundable on demand by the participant.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

As of June 30, 2015, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$6,956,797.

Project Participation

The NCPA members and their percentage share at June 30, 2015, which is the most recent available data, are as follows:

NCPA MEMBERS	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project	Lodi Energy Center
Alameda	16.8825%	10.00%	21.820%	19.00%	30.7802%	
Bay Area Rapid Transit						6.6000%
Biggs	0.2270		0.197		0.3446	0.2679
Gridley	0.3360		0.350		0.6248	1.9643
Healdsburg	3.6740	1.66	5.833		6.6947	1.6428
Lodi	10.2800	10.37	13.393	39.50	20.6077	9.5000
Lompoc	3.6810	2.30	5.833	5.00	6.7101	2.0357
Palo Alto		22.92				
Plumas-Sierra Rural Electric Coop	0.7010	1.69	1.817		1.3112	0.7857
Roseville	7.8830	12.00		36.50	13.0846	
Santa Clara	44.3905	37.02	41.667			25.7500
Ukiah	5.6145	2.04	9.090		10.2315	1.7857
OTHER PARTICIPANTS						
Azusa						2.7857
California Department of Water Resources						33.5000
Modesto Irrigation District						10.7143
Power & Water Resources Pooling Agency						2.6679
Turlock Irrigation District	6.3305				9.6106	

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Bulk power purchased by the City through NCPA amounted to \$38,512,404 during the year ended June 30, 2015 and is reflected in utilities expense in the Electric Enterprise Fund.

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt (MW) steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately \$38 million at June 30, 2015.

In addition to federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2). Each plant has two 55MW turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tapline; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA has also the option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2015, approximately \$383 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project #1

The project consists of five combustion turbine units; each nominally rated at 25 MW. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 13.393% of the debt service and operating costs. At June 30, 2015, there was no outstanding long-term debt related to this project.

Capital Facilities Project

The Project consists of one 49.9 MW natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2015, approximately \$45 million in long-term debt was outstanding.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 20.6077% of the debt service and operating costs. At June 30, 2015, there was no outstanding long-term debt related to this project.

Lodi Energy Center

The Lodi Energy Center project is a 280 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) built in Lodi on city property.

Under a power purchase agreement, the City is obligated to pay 17.03% of the debt service and 9.5% of operating costs. At June 30, 2015, approximately \$370 million in long-term debt was outstanding.

The following are the most recent available audited condensed financial statements of NCPA:

**Condensed Statement of Net Position
June 30, 2015
(in thousands)**

Assets and Deferred Outflows of Resources		Liabilities, Deferred Inflows of Resources and Net Position	
Current assets	\$ 81,501	Long-term debt, net	\$ 816,936
Restricted assets	204,769	Current liabilities	93,224
Electric plant, net	618,708	Non-current liabilities	199,980
Other assets	249,659	Deferred inflows of resources	81,930
Total assets	1,154,637	Net position	29,991
Deferred outflows of resources	67,424	Total liabilities, deferred inflows of resources and net position	\$ 1,222,061
Total assets and deferred outflows of resources	\$ 1,222,061		

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Condensed Statement of Revenues, Expenses and Changes in Net Position Year ended June 30, 2015 (in thousands)	Combined Statement of Cash Flow Year ended June 30, 2015 (in thousands)
Sales for resale	Net cash from operating activities
\$ 423,887	\$ 61,496
Operating expenses	Net from investing activities
(378,672)	(11,747)
Other expenses	Net cash from capital and related
(38,260)	financing activities
Future recoverable costs	(74,875)
<u>4,663</u>	Net cash from noncapital
Net revenues before refunds	and related financing activities
(6,905)	<u>(1,846)</u>
Refunds to participants	Decrease in cash and cash equivalents
(2,242)	(26,972)
Decrease in net position	Cash and cash equivalents, beginning
<u>32,233</u>	of year
Net position, beginning of year	<u>130,151</u>
Net position, end of year	Cash and cash equivalents end of year
<u>\$ 29,991</u>	<u>\$ 103,179</u>

At June 30, 2015, NCPA's total net outstanding long-term debt was \$835,340,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2015, was \$35,615,000.

Complete financial information for NCPA may be obtained at the following administration office:

Northern California Power Agency
180 Cirby Way
Roseville, CA 95678

Transmission Agency of Northern California

The Transmission Agency of Northern California (TANC) was organized under the California Government Code pursuant to a joint powers agreement entered into by fifteen Northern California utilities including the City of Lodi. The purpose of TANC is to provide electric transmission or other facilities for the use of its members through its authority to acquire, construct, finance, operate and maintain facilities for electric power transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro rata share of the

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

costs to operate TANC and has the right to participate in future project agreements. The joint powers agreement remains in effect until debt obligations and interest thereon have been paid, unless otherwise extended by the members.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

California-Oregon Transmission Project

The project is a 340-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. The project is operated in coordination with the Pacific AC Intertie as a part of the California-Oregon Intertie (COI) within the Western Electricity Coordinating Council (WECC) region. The WECC approved rating of the COI is 4,800 MW.

TANC, Western Area Power Authority (WAPA), and five other parties have agreed to an Interim Participation Agreement (IPA) under which each project participant is granted a percentage entitlement in project transfer capability and is required to pay a percentage of the costs. Pursuant to the IPA and a subsequent agreement with WAPA, and the purchase of entitlement, rights and title, and interest in the City of Vernon's share of the project transmission assets, TANC is entitled to use approximately 1,362 MW, and is obligated to pay an average of approximately 80 percent of the operating costs associated with the project.

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2015, approximately \$284 million in long-term debt was outstanding of which \$32 million is considered current.

Effective July 1, 2015, the City terminated its interest in the California-Oregon Transmission Project to other TANC members. As a result, the City will not incur any costs after this date related to this Project.

Complete financial information for TANC may be obtained at the following administration office:

Transmission Agency of Northern California
3100 Zinfandel Drive, Suite 600
Sacramento, CA 95670

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(13) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

The City is a member, along with 16 other individual cities and 4 joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses. CJPRMA has a twenty-one member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenses in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2015, premiums of \$93,834 were paid to CJPRMA for the liability program.

The participants at June 30, 2015, are as follows: Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, Northern California Cities Self Insurance Fund, Petaluma, Redding, Redwood Empire Municipal Insurance Fund, Richmond, Roseville, San Leandro, San Rafael, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

Complete financial information for CJPRMA may be obtained at the following administration office:

California Joint Powers Risk Management Authority
3252 Constitution Dr.
Livermore, CA 94551

Local Agency Workers' Compensation Excess Joint Powers Authority

The City, along with thirty-three other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers \$150,000, \$250,000, \$350,000, \$500,000 and \$1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to \$5 million. The City of Lodi's self-insured retention is \$250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid \$353,997 in premiums to LAWCX during the year ended June 30, 2015.

The participants at June 30, 2015, are as follows: City of Alameda, Association of Bay Area Governments Shared Risk Pool (ABAG SHARP), Bay Cities Joint Powers Insurance Authority (BCJPIA), City of Benicia, Central Contra Costa County Transit Agency (CCCTA), California Housing

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Workers' Compensation Authority (CHWCA), Central San Joaquin Valley Risk Management Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, Fire Agencies Self Insurance System (FASIS), City of Gilroy, City of Livermore, City of Lodi, Town of Los Gatos, City of Merced, Monterey County Local Agencies Insurance Authority (MCLAIA), City of Morgan Hill, City of Newark, City of Placentia, City of Pleasanton, Public Agency Risk Sharing Authority of California (PARSAC), City of Roseville, Public Entity Risk Management Authority (PERMA), City of San Leandro, City of Santa Maria, City of Santee, Small Cities Organized Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control Joint Powers Agency (VCJPA) and City of Vista.

Complete financial information for LAWGX may be obtained at the following administration office:

Local Agency Workers' Compensation Excess Joint Powers Authority
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

California Transit Insurance Pool

The City, along with thirty-three other public agencies is a member of the California Transit Insurance Pool (CalTIP), a joint powers insurance authority which was formed for the purpose of sharing the risk of property damage, bodily injury, personal injury and public officials errors and omissions losses for public transit systems.

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize CalTIP's claims administrator services.

Program II applies to members with self-insured retentions who choose to provide their own claims administrator services.

CalTIP purchases excess insurance over its \$1,000,000 retention up to \$20 million per occurrence. Each member is provided with \$4 million in excess of the pooled retention for a total of \$5 million in coverage and has the option to choose one or both of two additional layers for the full \$20 million.

CalTIP also provides physical damage coverage to its members. This coverage program is optional for all members and offers damage or loss protection for transit, staff and maintenance vehicles to transit operators. CalTIP self-insures up to \$100,000, under which members have the option of five levels of deductible ranging from \$500 to \$10,000 per vehicle. Claims are administered by the CalTIP's adjuster.

The City paid \$77,447 in premiums to CalTIP during the year ended June 30, 2015. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

	Program	Self-Insured Retention	Limit (in millions)	Physical Damage
City of Lodi Transit System	I	Prefunded	20	Yes

Complete financial information for CalTip may be obtained at the following administration office:

California Transit Insurance Pool
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

(14) DEFICIT IN FUND EQUITY

Internal Service Funds – Fleet Services Fund– A deficit in fund equity in the amount of \$928,620 at June 30, 2015, is attributed to the net pension obligation set up in accordance with the requirements of GASB Statement No. 68. Net pension obligation as of June 30, 2015, was \$926,452.

Internal Service Funds - Benefits Fund – A deficit in fund equity in the amount of \$3,712,939 at June 30, 2015, is attributed to the net OPEB obligation set up in accordance with the requirements of GASB Statement No. 45. Net OPEB obligation as of June 30, 2015, was \$5,343,727. The City will continue to address annual funding to eliminate the deficit during the budget process.

Electric Enterprise Fund – A deficit in fund equity in the amount of \$5,023,048 at June 30, 2015, is attributed to the net pension obligation set up in accordance with the requirements of GASB No. 68. Net pension obligation as of June 30, 2015, was \$9,512,447.

(15) POLLUTION REMEDIATION OBLIGATION

The City relies on groundwater for its drinking water and in the late 1980's, PCE and TCE pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board (RWQCB) in the early 1990's under the Well Investigation program revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations was discharged to the sewer system. In 1997, the Department of Toxic Substances Control (DTSC) and the City entered into a cooperative agreement whereby the City assumed a lead role in the cleanup and agreed to pursue legal action against potentially responsible parties (PRPs). The City's estimate of the pollution remediation obligation was \$70 million. The City has settled with all the involved parties.

The City received a draft cleanup and abatement order to investigate the discharges of waste, clean up the waste and abate the effects of the discharges of waste in conformance with the State Water Resources Control Board's (SWRCB) Resolution No. 92-49 Policies and Procedures

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the RWQCB's Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the SWRCB. The City's estimated total pollution remediation obligation as of June 30, 2015, is \$18,592,106. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

(16) COMMITMENTS AND CONTINGENCIES

Litigation and claims – The City has fully resolved all the litigation arising out of its groundwater contamination. Settlement and rate revenues have amassed a \$16 million dollar reserve which is expected to cover all costs through the next 10 years. Costs thereafter can be effectively managed with new rate revenues. As such, the City Attorney does not anticipate a material effect on the City's financial condition.

The City owns a 1,000 acre wastewater treatment facility known as "White Slough" approximately 5 miles west of the contiguous city limit. Neighboring farming and dairy operations are in litigation over elevated nitrate levels in the area. Efforts to join the City in the litigation have been so far unsuccessful but are expected to continue. It is too early at this stage to estimate liability or damages if the City is joined in the action. However, the City Attorney does not currently expect the matter to have a material effect on the City's financial condition.

All other actions against the City are under \$75,000 or have no arguable cost and will therefore not have a material financial effect on the City.

Water Purchase Agreement with Woodbridge Irrigation District – The City obtains its municipal water supply from wells located within the City, extracting water from the underground aquifer, which is replenished in part by flows of the Mokelumne River. To avoid being wholly dependent upon wells and the possible impacts of eventual overdraft of the groundwater supply, the City made a commitment in 2003 to purchase surface water supply from Woodbridge Irrigation District for 40 years beginning in 2003. The agreement provides for the purchase of 6,000 acre feet per year and the City pays the District \$1.2 million annually. Effective January 1, 2010, the amount payable to the District shall be increased by two percent (2%) per year or by the change in the Consumer Price Index whichever is higher but shall not exceed five percent (5%).

Arbitrage Earnings Rebate Liability – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2015, for any of the City's outstanding Certificates of Participation and Revenue Bonds.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Construction and Other Significant Commitments – Commitments are existing arrangements to enter into future transactions or events, such as construction contracts for ongoing projects and long-term contractual obligations with suppliers for future purchases at specified prices and sometimes specified quantities. Significant commitments as of June 30, 2015 are as follows:

General Fund	\$	26,219
Other governmental funds		<u>3,527,744</u>
Total	\$	<u><u>3,553,963</u></u>

(17) SUBSEQUENT EVENTS

In August 2015, the City obtained a loan in the amount of \$1.5 million to finance the Electric Enterprise Fund's LED Street Light Retrofit project. Annual principal and interest payment is approximately \$235,000 with final payment due December 1, 2022. The City has pledged future revenues from Greenhouse Gas Free Allowance proceeds, to repay the loan.

In September 2015, the City obtained a loan in the amount of \$468,000 to finance the purchase of a fire engine. Annual principal and interest payment is \$99,172 with final payment due on December 1, 2020. The annual payments will be paid from Fire department appropriations.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN**

Measurement Period	2013-14 ⁽¹⁾
Total Pension Liability	
Service Cost	\$ 2,478,901
Interest	11,705,179
Benefit Payments, Including Refunds of Employee Contributions	(7,729,680)
Net Change in Total Pension Liability	6,454,400
Total Pension Liability - Beginning	158,694,446
Total Pension Liability - Ending (a)	165,148,846
Plan Fiduciary Net Position	
Contributions - Employer	2,694,850
Contributions - Employee	1,237,916
Net Investment Income ⁽²⁾	19,249,151
Benefit Payments, Including Refunds of Employee Contributions	(7,729,680)
Other Changes in Fiduciary Net Position	
Net Change in Fiduciary Net Position	15,452,237
Plan Fiduciary Net Position - Beginning	111,971,008
Plan Fiduciary Net Position - Ending (b)	127,423,245
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 37,725,601
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.16%
Covered-Employee Payroll	\$ 16,669,363
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	226.32%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Net of administrative expenses.

Notes to Schedule:

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

Changes of Assumptions: There were no changes in assumptions.

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SAFETY PLAN**

Measurement Period	2013-14 ⁽¹⁾
Total Pension Liability	
Service Cost	\$ 3,048,048
Interest	11,390,793
Benefit Payments, Including Refunds of Employee Contributions	(7,448,361)
Net Change in Total Pension Liability	6,990,480
Total Pension Liability - Beginning	154,077,401
Total Pension Liability - Ending (a)	161,067,881
Plan Fiduciary Net Position	
Contributions - Employer	4,106,044
Contributions - Employee	1,058,376
Net Investment Income ⁽²⁾	16,070,261
Benefit Payments, Including Refunds of Employee Contributions	(7,448,361)
Other Changes in Fiduciary Net Position	
Net Change in Fiduciary Net Position	13,786,320
Plan Fiduciary Net Position - Beginning	93,345,381
Plan Fiduciary Net Position - Ending (b)	107,131,701
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 53,936,180
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.51%
Covered-Employee Payroll	\$ 11,194,123
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	481.83%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Net of administrative expenses.

Notes to Schedule:

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

Changes of Assumptions: There were no changes in assumptions.

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS**

	2013-14	2014-15
Miscellaneous Plan:		
Actuarially Determined Contributions	\$ 2,694,850	\$ 3,252,760
Contributions in Relation to the Actuarially Determined Contributions	(2,694,850)	(3,252,760)
Contribution Deficiency	\$ -	\$ -
 Covered-Employee Payroll	 \$ 16,669,363	 \$ 15,904,486
 Contributions as a Percentage of Covered-Employee Payroll	 16.17%	 20.45%
Safety Plan:		
Actuarially Determined Contributions	\$ 4,106,044	\$ 3,995,128
Contributions in Relation to the Actuarially Determined Contributions	(4,106,044)	(3,995,128)
Contribution Deficiency	\$ -	\$ -
 Covered-Employee Payroll	 \$ 11,194,123	 \$ 11,569,013
 Contributions as a Percentage of Covered-Employee Payroll	 36.68%	 34.53%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Lodi
Required Supplementary Information
Schedule of Funding Progress – OPEB Plan
June 30, 2015
(in thousands of dollars)

Actuarial Valuation Date		Actuarial Value of Assets (A)	Entry Age Normal Accrued Liability (B)		Unfunded Liability [(B) - (A)]	Funded Ratio [(A) / (B)]		Annual Covered Payroll (C)	UAAL As a Percentage of Covered Payroll {[(B) - (A)]/(C)}
1/1/10	\$	0	\$ 17,710	\$	17,710	0%	\$	9,410	188%
1/1/12		0	17,011		17,011	0%		7,305	233%
1/1/14		0	16,879		16,879	0%		5,697	296%

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 23,912,910	24,162,910	24,630,745	\$ 467,835
Licenses and permits	80,800	80,800	87,908	7,108
Intergovernmental revenues	11,214,240	11,282,315	12,642,107	1,359,792
Charges for services	1,217,410	1,317,410	1,482,448	165,038
Fines, forfeits and penalties	1,478,400	1,478,400	1,573,071	94,671
Investment and rental income	1,533,100	1,533,100	1,546,845	13,745
Miscellaneous revenue	220,800	220,800	290,951	70,151
Total revenues	<u>39,657,660</u>	<u>40,075,735</u>	<u>42,254,075</u>	<u>2,178,340</u>
EXPENDITURES				
Current:				
General government:				
City Manager	902,700	914,008	883,079	30,929
City Clerk and Council	626,320	615,520	522,168	93,352
City Attorney	490,810	497,325	396,514	100,811
Human Resources	419,590	456,700	437,832	18,868
Information Systems	1,017,670	968,940	884,000	84,940
Financial Services	1,647,090	1,664,670	1,613,592	51,078
Budget and Treasury	283,360	283,500	271,153	12,347
Non Departmental	1,456,090	1,504,890	1,482,569	22,321
Total general government	<u>6,843,630</u>	<u>6,905,553</u>	<u>6,490,907</u>	<u>414,646</u>
Public protection:				
Police	17,130,800	16,638,578	16,477,012	161,566
Fire	9,867,280	10,058,003	9,911,160	146,843
Total public protection	<u>26,998,080</u>	<u>26,696,581</u>	<u>26,388,172</u>	<u>308,409</u>
Public Works	<u>1,936,540</u>	<u>2,065,051</u>	<u>1,882,250</u>	<u>182,801</u>
Library	<u>1,341,950</u>	<u>1,353,593</u>	<u>1,311,367</u>	<u>42,226</u>
Total expenditures	<u>37,120,200</u>	<u>37,020,778</u>	<u>36,072,696</u>	<u>948,082</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,537,460</u>	<u>3,054,957</u>	<u>6,181,379</u>	<u>3,126,422</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,940,357	3,952,000	3,952,000	
Transfers out	(6,314,877)	(7,131,623)	(7,128,586)	3,037
Total other financing sources (uses)	<u>(2,374,520)</u>	<u>(3,179,623)</u>	<u>(3,176,586)</u>	<u>3,037</u>
CHANGES IN FUND BALANCE	162,940	(124,666)	3,004,793	3,129,459
FUND BALANCE , beginning of year	7,641,322	7,641,322	9,473,760	1,832,438
FUND BALANCE, end of year	<u>\$ 7,804,262</u>	<u>7,516,656</u>	<u>12,478,553</u>	<u>\$ 4,961,897</u>

The note to the required supplementary information is an integral part of this schedule.

CITY OF LODI
Note to the Required Supplementary Information
June 30, 2015

Budgetary Data

The City adopts an annual budget for the general and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles. As part of the City's internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The accompanying financial statements present budget and actual data only of funds for which an annual budget was adopted. The budgets for capital projects are primarily "long-term" budgets that emphasize the major programs and capital project plans extending over a number of years. Due to the long-term nature of these projects, "annual" budget and actual comparisons are not considered meaningful. Formal budgetary integration is not employed for debt service funds since effective budgetary control is alternatively achieved through the bond indenture provisions. Accordingly, no budgetary information is included in the accompanying basic financial statements for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying basic financial statements:

Original Budget

On or prior to the first regular Council meeting in June of each year, the City Manager submits to the City Council a proposed Financial Plan and Budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Budgeted revenues are adopted by the City Council at the time the budget is approved. Budgeted revenues are modified when the tax base changes, when fees are modified or when new revenue sources are identified.

Public hearings are conducted during meetings of the City Council to obtain citizens' comments. Prior to July 1, the budget is legally enacted through passage of a resolution.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- Budgeted expenditures represent original appropriations adjusted by budget transfers and appropriation amendments. The legal level of budgetary control (that is, the level at which expenditures can not legally exceed the appropriated

amount) is at the department level. The operating budget is prepared and controlled at the department level (e.g., city clerk, city manager, etc.) for the General Fund. Special revenue fund expenditures, including transfers out, are approved by Council at the fund level.

- The City Manager may transfer appropriations from one activity to another within a department without approval from the City Council. All other appropriation adjustments during the year, whether transfers, increases or decreases, require City Council approval.

COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

Debt Service Fund account for the accumulation of resources for the repayment of principal and interest on general long-term debt;

Capital Project Funds account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and investments	\$ 4,590,818	10,073,391	\$ 14,664,209
Receivables:			
Accounts, net	660,894	54,420	715,314
Interest	2,510	5,085	7,595
Due from other funds	93,114		93,114
Due from other governmental agencies	348,979		348,979
Inventory	1,291		1,291
Total assets	\$ 5,697,606	10,132,896	\$ 15,830,502
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 253,085	1,785,160	\$ 2,038,245
Due to other funds	93,114		93,114
Advances from other funds		1,550,454	1,550,454
Unearned revenue	146,174		146,174
Total liabilities	492,373	3,335,614	3,827,987
Deferred Inflows of Resources:			
Unavailable revenue	44,707		44,707
Fund Balances:			
Nonspendable:			
Inventory	1,291		1,291
Restricted for:			
Road-related projects	3,207,124		3,207,124
Capital projects		6,797,282	6,797,282
Public safety	249,258		249,258
Community development	1,474,880		1,474,880
Parks, recreation and community services	227,973		227,973
Total fund balances	5,160,526	6,797,282	11,957,808
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,697,606	10,132,896	\$ 15,830,502

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Total
Revenues:				
Licenses and permits	\$ 879,225			\$ 879,225
Intergovernmental revenues	4,914,450			4,914,450
Charges for services	2,282,934		62,068	2,345,002
Investment and rental income	446,806		35,165	481,971
Miscellaneous revenue	301,617		227,669	529,286
Total revenues	8,825,032		324,902	9,149,934
Expenditures:				
Current:				
General government	2,660,048			2,660,048
Public protection	257,888			257,888
Public works	2,625,771			2,625,771
Community development	1,226,307			1,226,307
Parks and recreation	2,145,084			2,145,084
Capital outlay	3,540,613		6,301,012	9,841,625
Debt service:				
Interest and fiscal charges		844,812		844,812
Total expenditures	12,455,711	844,812	6,301,012	19,601,535
Deficiency of revenues under expenditures	(3,630,679)	(844,812)	(5,976,110)	(10,451,601)
Other financing sources (uses):				
Transfers in	4,301,203	844,812	6,501,361	11,647,376
Transfers out	(781,876)		(125,300)	(907,176)
Total other financing sources (uses)	3,519,327	844,812	6,376,061	10,740,200
Changes in fund balances	(111,352)		399,951	288,599
Fund balances, beginning of year	5,271,878		6,397,331	11,669,209
Fund balances, end of year	\$ 5,160,526		6,797,282	\$ 11,957,808

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Parks, Recreation and Community Services

This fund was established to account for the revenues and expenditures related to the activities of the Hutchins Street Square and Performing Arts Theater and the wide-range of parks and recreation activities and programs offered to the public

Public Safety

This fund was established to account for the revenues and expenditures related to the City's share of property forfeited by persons convicted of possession and selling illegal drugs and the State of California auto theft prosecution monies along with State and Federal grants related to public safety operations.

Community Development

This fund was established to account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

Streets Fund

This fund was established to account for the following:

Gas Tax

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code. Portions of the tax rate levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditure by the State of California for street related purposes only.

Development Impact Mitigation Fees

To account for impact fees charged to provide for the building of various storm drains and street improvements needed to serve new development. The fees are calculated on a per acre basis and are collected at subdivision final map approval or with building permit stage effective November 4, 1991.

Measure K Sales Tax

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

Intermodal Surface Transportation Efficiency Act (ISTEA)

To account for revenues from the federal highway administration for programs including surface transportation program (STP) for streets and roads, congestion mitigation and air quality program (CMAQ) and hazard elimination safety (HES) for street lighting projects.

Transportation

This fund was established to account for the receipt of moneys from the State of California apportioned to the City for transportation purposes. The State has designated 1/4% of the 6% sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the 6% sales tax to include purchases of gasoline. Revenues allocated to the City of Lodi under this program are divided into two categories: Article 8 funds, which are restricted for the improvement and maintenance of street systems; and Article 4 funds, which are restricted for public transit systems.

HOME Program and Community Development Block Grants

This fund was established to account for the City's HOME Program that provides adequate and affordable housing for low and very low-income residents, and Community Development Block Grants provided to the City principally for low and moderate income residents to develop a suitable living environment and expand economic opportunities.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2015**

	Parks, Recreation and Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program and Community Development Block Grants	Total
ASSETS							
Cash and Investments	\$ 230,683	280,994	1,501,484	2,577,657			\$ 4,590,818
Receivables:							
Accounts, net	47,023	1,927	3,247	564,586	44,111		660,894
Interest	144	230	950	1,166		20	2,510
Due from other funds				93,114			93,114
Due from other governmental agencies		81,538		47,067		220,374	348,979
Inventory	1,291						1,291
TOTAL ASSETS	\$ 279,141	364,689	1,505,681	3,283,590	44,111	220,394	\$ 5,697,606
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts payable and other liabilities	\$ 49,877	259	30,801	91,278	19	80,851	\$ 253,085
Due to other funds					29,519	63,595	93,114
Unearned revenue		115,172				31,002	146,174
TOTAL LIABILITIES	49,877	115,431	30,801	91,278	29,538	175,448	492,373
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue						44,707	44,707
FUND BALANCES							
Nonspendable							
Inventory	1,291						1,291
Restricted for:							
Road-related projects				3,192,312	14,573	239	3,207,124
Public safety		249,258					249,258
Community development			1,474,880				1,474,880
Parks, recreation and community services	227,973						227,973
TOTAL FUND BALANCES	229,264	249,258	1,474,880	3,192,312	14,573	239	5,160,526
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 279,141	364,689	1,505,681	3,283,590	44,111	220,394	\$ 5,697,606

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	Parks, Recreation and Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program and Community Development Block Grants	Total
REVENUES							
Licenses and permits	\$		879,225				\$ 879,225
Intergovernmental revenues		263,620		4,121,950	43,991	484,889	4,914,450
Charges for services	1,662,690		498,490	121,754			2,282,934
Investment and rental income	431,250	1,590	6,825	7,141			446,806
Miscellaneous revenue	10,498	2,589	84,954	203,576			301,617
Total revenues	<u>2,104,438</u>	<u>267,799</u>	<u>1,469,494</u>	<u>4,454,421</u>	<u>43,991</u>	<u>484,889</u>	<u>8,825,032</u>
EXPENDITURES							
Current							
General government	2,660,048						2,660,048
Public protection		257,888					257,888
Public works				2,141,013		484,758	2,625,771
Community development			1,226,307				1,226,307
Parks and recreation	2,145,084						2,145,084
Capital outlay				3,511,195	29,418		3,540,613
Total expenditures	<u>4,805,132</u>	<u>257,888</u>	<u>1,226,307</u>	<u>5,652,208</u>	<u>29,418</u>	<u>484,758</u>	<u>12,455,711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,700,694)</u>	<u>9,911</u>	<u>243,187</u>	<u>(1,197,787)</u>	<u>14,573</u>	<u>131</u>	<u>(3,630,679)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	3,583,243		126,160	591,800			4,301,203
Transfers out	(558,500)	(31,866)	(2,510)	(189,000)			(781,876)
Total other financing sources (uses)	<u>3,024,743</u>	<u>(31,866)</u>	<u>123,650</u>	<u>402,800</u>			<u>3,519,327</u>
CHANGES IN FUND BALANCES	324,049	(21,955)	366,837	(794,987)	14,573	131	(111,352)
FUND BALANCES (DEFICIT), beginning of year	<u>(94,785)</u>	<u>271,213</u>	<u>1,108,043</u>	<u>3,987,299</u>		<u>108</u>	<u>5,271,878</u>
FUND BALANCES , end of year	<u>\$ 229,264</u>	<u>249,258</u>	<u>1,474,880</u>	<u>3,192,312</u>	<u>14,573</u>	<u>239</u>	<u>\$ 5,160,526</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	PARKS, RECREATION AND COMMUNITY SERVICES		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	\$ 1,860,360	1,662,690	\$ (197,670)
Investment and rental income	430,000	431,250	1,250
Miscellaneous revenue	<u>47,500</u>	<u>10,498</u>	<u>(37,002)</u>
Total Revenue	<u>2,337,860</u>	<u>2,104,438</u>	<u>(233,422)</u>
EXPENDITURES			
Current			
General government	3,046,630	2,660,048	386,582
Parks and recreation	<u>2,213,710</u>	<u>2,145,084</u>	<u>68,626</u>
Total Expenditures	<u>5,260,340</u>	<u>4,805,132</u>	<u>455,208</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,922,480)</u>	<u>(2,700,694)</u>	<u>221,786</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,583,243	3,583,243	
Transfers out	<u>(558,500)</u>	<u>(558,500)</u>	
Total other financing sources (uses)	<u>3,024,743</u>	<u>3,024,743</u>	
CHANGES IN FUND BALANCE	102,263	324,049	221,786
FUND DEFICIT, BEGINNING OF YEAR	<u>(94,785)</u>	<u>(94,785)</u>	
FUND BALANCE, END OF YEAR	<u>\$ 7,478</u>	<u>\$ 229,264</u>	<u>\$ 221,786</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 695,966	263,620	\$ (432,346)
Investment and rental income	770	1,590	820
Miscellaneous revenue		2,589	2,589
Total Revenue	696,736	267,799	(428,937)
EXPENDITURES			
Current			
Public protection	691,434	257,888	433,546
EXCESS OF REVENUES OVER EXPENDITURES	5,302	9,911	4,609
OTHER FINANCING USES			
Transfers out	(31,866)	(31,866)	
CHANGES IN FUND BALANCE	(26,564)	(21,955)	4,609
FUND BALANCE, BEGINNING OF YEAR	271,213	271,213	
FUND BALANCE, END OF YEAR	\$ 244,649	249,258	\$ 4,609

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	COMMUNITY DEVELOPMENT		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Licenses and permits	\$ 628,040	879,225	\$ 251,185
Charges for services	359,000	498,490	139,490
Investment and rental income	3,400	6,825	3,425
Miscellaneous revenue	120,460	84,954	(35,506)
Total Revenue	1,110,900	1,469,494	358,594
EXPENDITURES			
Current			
Community development	1,262,090	1,226,307	35,783
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(151,190)	243,187	394,377
OTHER FINANCING SOURCES (USES)			
Transfers in	126,160	126,160	
Transfers out	(2,510)	(2,510)	
Total other financing sources (uses)	123,650	123,650	
CHANGES IN FUND BALANCE	(27,540)	366,837	394,377
FUND BALANCE, BEGINNING OF YEAR	1,108,043	1,108,043	
FUND BALANCE, END OF YEAR	\$ 1,080,503	1,474,880	\$ 394,377

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	STREETS		
	FINAL BUDGET	Actual	Variance with Final Budget
REVENUES			
Intergovernmental revenues	\$ 4,509,993	4,121,950	\$ (388,043)
Charges for services	289,490	121,754	(167,736)
Investment and rental income	14,140	7,141	(6,999)
Miscellaneous revenue	30,000	203,576	173,576
Total Revenue	<u>4,843,623</u>	<u>4,454,421</u>	<u>(389,202)</u>
EXPENDITURES			
Current			
Public works	2,128,207	2,141,013	(12,806)
Capital outlay	<u>4,113,825</u>	<u>3,511,195</u>	<u>602,630</u>
Total Expenditures	<u>6,242,032</u>	<u>5,652,208</u>	<u>589,824</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,398,409)</u>	<u>(1,197,787)</u>	<u>200,622</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	591,800	591,800	
Transfers out	<u>(189,000)</u>	<u>(189,000)</u>	
Total other financing sources (uses)	<u>402,800</u>	<u>402,800</u>	
CHANGES IN FUND BALANCE	(995,609)	(794,987)	200,622
FUND BALANCE, BEGINNING OF YEAR	<u>3,987,299</u>	<u>3,987,299</u>	
FUND BALANCE, END OF YEAR	<u>\$ 2,991,690</u>	<u>\$ 3,192,312</u>	<u>\$ 200,622</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 43,991	43,991	\$
EXPENDITURES			
Capital outlay	43,991	29,418	14,573
CHANGES IN FUND BALANCE		14,573	14,573
FUND BALANCE, BEGINNING OF YEAR	\$	14,573	\$
FUND BALANCE, END OF YEAR	\$	14,573	\$ 14,573

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 916,415	484,889 \$	(431,526)
EXPENDITURES			
Current			
Public works	916,415	484,758	431,657
CHANGES IN FUND BALANCE		131	131
FUND BALANCE, BEGINNING OF YEAR		108	
FUND BALANCE, END OF YEAR	\$	239 \$	131

NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Vehicle and Equipment

This fund was established to account for the financing and replacement of vehicles and equipment for all funds of the City with the exception of the Enterprise Funds. Financing is primarily provided through transfers from other funds, interest earnings and sales of surplus property.

Library

This fund is used to account for the acquisition, construction and installation of capital facilities for the Library.

Hutchins Street Square

When the old Lodi High School burned down, the City purchased the property and renamed it Hutchins Street Square. The Old Lodi High Site Foundation was established which organizes events to raise money for the capital restoration of Hutchins Street Square.

Capital Outlay Reserve

This fund was established to account for the entire City's construction projects and capital purchases in excess of \$10,000 with the exception of those funded through Enterprise Funds. Financing is provided primarily through transfers from other funds and from State and Federal grants.

Parks Capital

This fund was established to account for the acquisition, construction and installation of capital facilities for the various city parks.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
June 30, 2015**

	Vehicle and Equipment	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total
ASSETS					
Cash and investments	\$ 2,033,605	3,276	6,803,352	1,233,158	\$ 10,073,391
Receivables:					
Accounts, net	1,803		52,617		54,420
Interest			4,305	780	5,085
TOTAL ASSETS	\$ <u>2,035,408</u>	<u>3,276</u>	<u>6,860,274</u>	<u>1,233,938</u>	\$ <u>10,132,896</u>
LIABILITIES					
Accounts payable and other liabilities	\$ 101,918		1,669,842	13,400	\$ 1,785,160
Advances from other funds			1,229,025	321,429	1,550,454
TOTAL LIABILITIES	<u>101,918</u>		<u>2,898,867</u>	<u>334,829</u>	<u>3,335,614</u>
FUND BALANCES					
Restricted for:					
Capital projects	<u>1,933,490</u>	<u>3,276</u>	<u>3,961,407</u>	<u>899,109</u>	<u>6,797,282</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>2,035,408</u>	<u>3,276</u>	<u>6,860,274</u>	<u>1,233,938</u>	\$ <u>10,132,896</u>

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
Year ended June 30, 2015

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total
REVENUES						
Charges for services	\$			58,068	4,000	\$ 62,068
Investment and rental income			5	29,936	5,224	35,165
Miscellaneous revenue	30,383		1,090		196,196	227,669
Total revenues	<u>30,383</u>		<u>1,095</u>	<u>88,004</u>	<u>205,420</u>	<u>324,902</u>
EXPENDITURES						
Capital outlay	699,410	28,890		5,489,371	83,341	6,301,012
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(669,027)</u>	<u>(28,890)</u>	<u>1,095</u>	<u>(5,401,367)</u>	<u>122,079</u>	<u>(5,976,110)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	913,747			5,425,514	162,100	6,501,361
Transfers out	(125,300)					(125,300)
Total other financing sources (uses)	<u>788,447</u>			<u>5,425,514</u>	<u>162,100</u>	<u>6,376,061</u>
CHANGES IN FUND BALANCES	119,420	(28,890)	1,095	24,147	284,179	399,951
FUND BALANCES , BEGINNING OF YEAR	<u>1,814,070</u>	<u>28,890</u>	<u>2,181</u>	<u>3,937,260</u>	<u>614,930</u>	<u>6,397,331</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,933,490</u>		<u>3,276</u>	<u>3,961,407</u>	<u>899,109</u>	<u>\$ 6,797,282</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the internal transfer of services between operating units of the City and to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple organizations.

Fleet Services

This fund is used to account for the operation, maintenance and timely replacement of the City's fleet of vehicles which serve the transportation needs of all city departments.

Benefits

This fund is used to account for the following employee benefits:

Dental	Employee assistance program
Chiropractic	Employee recognition program
Life/accidental insurance	Unemployment insurance
Medical	Flexible spending program
Vision	Long Term Disability

Insurance

This fund is used to account for the following insurances:

- General Liability
- Workers' Compensation
- Other Insurance

CITY OF LODI
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2015

	Fleet Services	Benefits	Insurance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 76,483	1,681,977	12,382,662	\$ 14,141,122
Receivables:				
Interest	49	1,064	7,809	8,922
Inventory	169,932			169,932
Noncurrent assets:				
Capital assets (net)	27,498			27,498
Total assets	273,962	1,683,041	12,390,471	14,347,474
 DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	74,359			74,359
 LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	54,105	52,253	31,150	137,508
Self-insurance liability			634,932	634,932
Accrued compensated absences	31,195			31,195
Noncurrent liabilities:				
Net pension liability	926,452			926,452
Self-insurance liability			7,670,955	7,670,955
Accrued compensated absences	48,639			48,639
Net OPEB obligation		5,343,727		5,343,727
Total liabilities	1,060,391	5,395,980	8,337,037	14,793,408
 DEFERRED INFLOWS OF RESOURCES				
Related to pensions	216,550			216,550
 NET POSITION				
Net investment in capital assets	27,498			27,498
Unrestricted (deficit)	(956,118)	(3,712,939)	4,053,434	(615,623)
Total net position	\$ (928,620)	(3,712,939)	4,053,434	\$ (588,125)

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year ended June 30, 2015

	<u>Fleet Services</u>	<u>Benefits</u>	<u>Insurance</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ <u>1,636,786</u>	<u>7,763,238</u>	<u>2,610,905</u>	\$ <u>12,010,929</u>
OPERATING EXPENSES				
Personnel services	672,956	229,630	137,099	1,039,685
Supplies, materials and services	855,697	6,013,643	1,036,880	7,906,220
Utilities	17,194		649	17,843
Depreciation	1,444			1,444
Claims	17,280	1,700,602	634,932	2,352,814
	<u>1,564,571</u>	<u>7,943,875</u>	<u>1,809,560</u>	<u>11,318,006</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	<u>72,215</u>	<u>(180,637)</u>	<u>801,345</u>	<u>692,923</u>
NONOPERATING REVENUES				
Investment income	196	6,568	51,986	58,750
Other revenues	2,294	29,397	50,948	82,639
TOTAL NONOPERATING REVENUES	<u>2,490</u>	<u>35,965</u>	<u>102,934</u>	<u>141,389</u>
LOSS (INCOME) BEFORE TRANSFERS	74,705	(144,672)	904,279	834,312
Transfers out			(50,000)	(50,000)
Changes in net position	<u>74,705</u>	<u>(144,672)</u>	<u>854,279</u>	<u>784,312</u>
NET ASSETS - BEGINNING OF YEAR, as previously reported	77,913	(3,568,267)	3,199,155	(291,199)
Change in accounting principles	(1,081,238)			(1,081,238)
NET POSITION - BEGINNING OF YEAR, as restated	<u>(1,003,325)</u>	<u>(3,568,267)</u>	<u>3,199,155</u>	<u>(1,372,437)</u>
NET POSITION - END OF YEAR	\$ <u>(928,620)</u>	<u>(3,712,939)</u>	<u>4,053,434</u>	\$ <u>(588,125)</u>

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2015

	Fleet Services	Benefits	Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,394	29,397	50,948	\$ 82,739
Receipts from interfund services provided	1,636,786	7,763,238	2,610,905	12,010,929
Cash paid to suppliers for goods and services	(934,295)	(7,136,209)	(2,392,634)	(10,463,138)
Payments to employees	(700,921)	(229,630)	(137,099)	(1,067,650)
Net cash provided by operating activities	3,964	426,796	132,120	562,880
Cash flows from noncapital financing activities:				
Transfers out			(50,000)	(50,000)
Cash flows from investing activities:				
Interest on investments	147	5,828	47,344	53,319
Net increase in cash and cash equivalents	4,111	432,624	129,464	566,199
Cash and cash equivalents, beginning of year	72,372	1,249,353	12,253,198	13,574,923
Cash and cash equivalents, end of year	\$ 76,483	1,681,977	12,382,662	\$ 14,141,122
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Income (loss)	\$ 72,215	(180,637)	801,345	\$ 692,923
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,444			1,444
Other revenues	2,294	29,397	50,948	82,639
Change in assets and liabilities:				
Increase in inventory	(31,146)			(31,146)
Decrease in other assets	100			100
Increase (decrease) in accounts payable and accrued liabilities	(12,978)	1,583	(4,301)	(15,696)
Decrease in compensated absences	(15,370)			(15,370)
Decrease in self-insurance liability			(715,872)	(715,872)
Increase in net OPEB obligation		576,453		576,453
Decrease in net pension liability and related amounts	(12,595)			(12,595)
Net cash provided by operating activities	\$ 3,964	426,796	132,120	\$ 562,880

FIDUCIARY FUNDS

Private-purpose Trust Funds

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts.

CITY OF LODI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2015

	Library	Hutchins Street Square Bequest	Total
ASSETS			
Cash and Investments	\$ <u>237,383</u>	<u>1,522</u>	\$ <u>238,905</u>
NET POSITION-EXPENDABLE	\$ <u><u>237,383</u></u>	<u><u>1,522</u></u>	\$ <u><u>238,905</u></u>

CITY OF LODI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
Year ended June 30, 2015

	<u>Library</u>	<u>Hutchins Street Square Bequest</u>	<u>Total</u>
ADDITIONS			
Investment income and donations	\$	6	\$ 6
DEDUCTIONS			
Current			
Library	<u>33,812</u>		<u>33,812</u>
CHANGES IN NET POSITION	(33,812)	6	(33,806)
NET POSITION, BEGINNING OF YEAR	<u>271,195</u>	<u>1,516</u>	<u>272,711</u>
NET POSITION, END OF YEAR	<u>\$ 237,383</u>	<u>1,522 \$</u>	<u>238,905</u>

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30, 2015

	Special Assessments			
	Balance July 1, 2014	Additions	Deductions	
ASSETS				
Cash and investments	\$ 425,592	35,437	32,056	\$ 428,973
Interest receivable	113	277	113	277
TOTAL ASSETS	\$ 425,705	35,714	32,169	\$ 429,250
LIABILITIES				
Agency obligations	\$ 425,705	3,545		\$ 429,250

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STATISTICAL SECTION

UNAUDITED

STATISTICAL SECTION

The Statistical Section provides detailed information as a framework for understanding the information in the financial statements, notes and required supplementary information. This section presents additional data and analysis that may provide the reader with valuable insight regarding the demographics and the overall health of the City.

Contents

Pages

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

115-120

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.

121-126

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

127-133

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

134-136

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.

137-141

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial report for the current year.

CITY OF LODI

NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Net investment in capital assets	\$ 105,944	\$ 105,462	\$ 106,828	\$ 107,587	\$ 114,165	\$ 113,308	\$ 115,036	\$ 107,874	\$ 110,815	\$ 111,572
Restricted	12,001	11,809	12,601	16,176	14,894	13,233	13,492	15,043	15,044	14,526
Unrestricted	(74,146)	2,551	1,157	(3,606)	(5,148)	(6,110)	(3,462)	(4,162)	(3,968)	(8,838)
Total governmental activities net position	\$ 43,799	\$ 119,822	\$ 120,586	\$ 120,157	\$ 123,911	\$ 120,431	\$ 125,066	\$ 118,755	\$ 121,891	\$ 117,260
Business-type activities:										
Net investment in capital assets	\$ 119,924	\$ 116,156	\$ 113,008	\$ 109,582	\$ 104,858	\$ 100,233	\$ 95,533	\$ 98,109	\$ 97,961	\$ 77,494
Restricted	6,810	6,703	6,600	6,533	5,303			8,657	8,711	10,969
Unrestricted	892	16,535	14,827	(34,563)	(34,129)	(28,591)	(35,448)	26,460	6,417	1,880
Total business-type activities net position	\$ 127,626	\$ 139,394	\$ 134,435	\$ 81,552	\$ 76,032	\$ 71,642	\$ 60,085	\$ 133,226	\$ 113,089	\$ 90,343
Primary government:										
Net investment in capital assets	\$ 225,868	\$ 221,618	\$ 219,836	\$ 217,169	\$ 219,023	\$ 213,541	\$ 210,569	\$ 205,983	\$ 208,776	\$ 189,066
Restricted	18,811	18,512	19,201	22,709	20,197	13,233	13,492	23,700	23,755	25,495
Unrestricted	(73,254)	19,086	15,984	(38,169)	(39,277)	(34,701)	(38,910)	22,298	2,449	(6,958)
Total primary government net position	\$ 171,425	\$ 259,216	\$ 255,021	\$ 201,709	\$ 199,943	\$ 192,073	\$ 185,151	\$ 251,981	\$ 234,980	\$ 207,603

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities:										
General government	\$ 9,109	\$ 9,580	\$ 8,943	\$ 9,381	\$ 8,262	\$ 8,749	\$ 9,451	\$ 8,307	\$ 7,853	\$ 9,746
Public protection	27,426	27,884	25,930	25,432	25,113	27,186	27,110	25,531	23,328	22,105
Public works	10,281	10,644	10,546	10,248	9,305	10,462	10,464	12,224	10,599	13,229
Community development	1,165	1,174	1,050	1,003	973	1,114	1,323	2,027	2,130	2,290
Library	1,324	1,282	1,342	1,381	1,355	1,440	1,495	1,696	1,630	1,485
Parks and recreation	3,116	3,164	2,933	2,913	5,778	5,077	4,609	4,414	4,172	4,114
Interest and fiscal charges	818	825	416	1,033	1,075	1,105	1,134	1,166	1,201	1,234
Total governmental activities expenses	<u>53,239</u>	<u>54,553</u>	<u>51,160</u>	<u>51,391</u>	<u>51,861</u>	<u>55,133</u>	<u>55,586</u>	<u>55,365</u>	<u>50,913</u>	<u>54,203</u>
Business-type activities:										
Electric	64,367	61,974	61,106	62,599	63,399	64,364	73,358	65,201	67,534	63,780
Wastewater	12,912	12,527	13,423	17,441	11,687	11,289	10,940	12,227	9,271	8,574
Water	9,905	11,014	(34,877)	7,953	8,188	6,148	9,604	9,920	9,875	8,256
Transit	4,134	3,834	4,141	4,256	4,132	4,785	4,832	3,908	3,577	3,643
Total business-type activities expenses	<u>91,318</u>	<u>89,349</u>	<u>43,793</u>	<u>92,249</u>	<u>87,406</u>	<u>86,586</u>	<u>98,734</u>	<u>91,256</u>	<u>90,257</u>	<u>84,253</u>
Total primary government expenses	<u>\$ 144,557</u>	<u>\$ 143,902</u>	<u>\$ 94,953</u>	<u>\$ 143,640</u>	<u>\$ 139,267</u>	<u>\$ 141,719</u>	<u>\$ 154,320</u>	<u>\$ 146,621</u>	<u>\$ 141,170</u>	<u>\$ 138,456</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,971	\$ 1,955	\$ 2,337	\$ 1,718	\$ 1,793	\$ 2,184	\$ 1,631	\$ 1,544	\$ 1,280	\$ 1,232
Public protection	609	582	538	500	643	714	844	837	582	563
Public works	832	415	224	166	356	326	358	755	295	320
Community development	1,378	1,219	1,458	993	1,601	786	749	1,085	1,174	1,630
Library	43	43	44	43	47	48	44	53	53	54
Parks and recreation	1,360	1,479	1,404	1,241	1,245	1,269	1,158	851	1,007	918
Operating grants and contributions	3,369	2,686	2,341	2,300	2,236	1,927	1,951	2,305	2,589	2,587
Capital grants and contributions	3,131	5,359	4,216	5,025	6,737	5,122	10,822	4,717	6,975	14,631
Total governmental activities program revenues	<u>12,693</u>	<u>13,738</u>	<u>12,562</u>	<u>11,986</u>	<u>14,658</u>	<u>12,376</u>	<u>17,557</u>	<u>12,147</u>	<u>13,955</u>	<u>21,935</u>
Business-type activities:										
Charges for services:										
Electric	65,237	64,693	63,230	64,251	62,167	69,664	74,000	69,284	65,809	59,112
Wastewater	14,714	14,305	13,747	13,280	13,090	11,513	9,276	9,091	8,524	8,927
Water	12,723	12,756	12,441	12,083	11,940	11,716	11,787	11,350	10,040	8,343
Transit	230	203	185	186	195	217	251	278	401	386
Operating grants and contributions	5,186	4,431	5,178	4,214	3,983	3,449	3,653	3,381	2,621	3,377
Capital grants and contributions	5,284	2,846	4,715	3,206	5,150	1,408	5,774	8,064	19,984	11,146
Total business-type activities program revenues	<u>103,374</u>	<u>99,234</u>	<u>99,496</u>	<u>97,220</u>	<u>96,525</u>	<u>97,967</u>	<u>104,741</u>	<u>101,448</u>	<u>107,379</u>	<u>91,291</u>
Total primary government program revenues	<u>\$ 116,067</u>	<u>\$ 112,972</u>	<u>\$ 112,058</u>	<u>\$ 109,206</u>	<u>\$ 111,183</u>	<u>\$ 110,343</u>	<u>\$ 122,298</u>	<u>\$ 113,595</u>	<u>\$ 121,334</u>	<u>\$ 113,226</u>
Net (Expense)/Revenue										
Governmental activities	\$ (40,546)	\$ (40,815)	\$ (38,598)	\$ (39,405)	\$ (37,203)	\$ (42,757)	\$ (38,029)	\$ (43,218)	\$ (36,958)	\$ (32,268)
Business-type activities	12,056	9,885	55,703	4,971	9,119	11,381	6,007	10,192	17,122	7,038
Total primary government net expense	<u>\$ (28,490)</u>	<u>\$ (30,930)</u>	<u>\$ 17,105</u>	<u>\$ (34,434)</u>	<u>\$ (28,084)</u>	<u>\$ (31,376)</u>	<u>\$ (32,022)</u>	<u>\$ (33,026)</u>	<u>\$ (19,836)</u>	<u>\$ (25,230)</u>

(Continued)

CITY OF LODI

CHANGES IN NET POSITION (Continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property	\$ 13,502	\$ 12,758	\$ 12,218	\$ 12,103	\$ 12,698	\$ 12,836	\$ 13,564	\$ 13,838	\$ 9,524	\$ 8,031
Franchise taxes	8,976	8,838	8,735	8,712	8,692	8,658	8,357	9,338	9,609	8,721
Business license tax	1,486	1,528	1,524	1,628	1,246	1,242	1,190	1,140	1,082	973
Transient occupancy tax	666	594	546	486	426	382	405	396	380	368
Grants and contributions not restricted to specific programs	10,651	10,138	9,382	9,277	8,954	7,064	8,249	9,593	14,772	14,215
Investment earnings	145	203	44	132	133	155	467	1,008	874	328
Rent	1,942	1,906	1,370							
Other	605	528	610	2,052	1,556	1,917	2,382	1,077	621	1,012
Special item-gain on sale of parkland					321					
Transfers	7,514	4,792	5,682	1,261	6,657	5,868	5,368	3,693	4,727	4,923
Total governmental activities	45,487	41,285	40,111	35,651	40,683	38,122	39,982	40,083	41,589	38,571
Business-type activities:										
Investment earnings	632	757	497	566	575	731	1,385	2,028	2,380	2,008
Litigation- environmental lawsuits proceeds			1,107			300	2,010	8,892	6,222	6,700
Rent	4	4								
Other	2,745	2,370	1,258	1,244	1,353	923	1,891	2,717	1,749	2,056
Special item-swap termination							(8,979)			
Transfers	(7,514)	(4,792)	(5,682)	(1,261)	(6,657)	(5,868)	(5,368)	(3,693)	(4,727)	(4,923)
Total business-type activities	(4,133)	(1,661)	(2,820)	549	(4,729)	(3,914)	(9,061)	9,944	5,624	5,841
Total primary government	\$ 41,354	\$ 39,624	\$ 37,291	\$ 36,200	\$ 35,954	\$ 34,208	\$ 30,921	\$ 50,027	\$ 47,213	\$ 44,412
Change in Net Position										
Governmental activities	\$ 4,941	\$ 470	\$ 1,513	\$ (3,754)	\$ 3,480	\$ (4,635)	\$ 1,953	\$ (3,135)	\$ 4,631	\$ 6,303
Business-type activities	7,923	8,224	52,883	5,520	4,390	7,467	(3,054)	20,136	22,746	12,879
Total primary government	\$ 12,864	\$ 8,694	\$ 54,396	\$ 1,766	\$ 7,870	\$ 2,832	\$ (1,101)	\$ 17,001	\$ 27,377	\$ 19,182

Source: City of Lodi Financial Services Division

CITY OF LODI

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$	\$	\$	\$	\$	\$ 389	\$ 383	\$ 1,150	\$ 1,144	\$ 1,321
Unreserved						3,896	3,383	4,159	5,175	3,048
Nonspendable		10	9	6	357					
Committed	345	301	277							
Assigned	26	29	65	50	136					
Unassigned	12,107	9,134	7,614	6,233	5,654					
Total General Fund	\$ 12,478	\$ 9,474	\$ 7,965	\$ 6,289	\$ 6,147	\$ 4,285	\$ 3,766	\$ 5,309	\$ 6,319	\$ 4,369
All other governmental funds										
Reserved	\$	\$	\$	\$	\$	\$ 7,801	\$ 1,487	\$ 1,932	\$ 1,874	\$ 1,138
Unreserved, reported in:										
Special revenue funds						963	6,540	7,433	6,651	6,271
Capital projects funds						3,649	5,217	5,504	6,200	5,663
Nonspendable	1	4	3	1						
Restricted	11,957	11,764	12,556	15,017	13,786					
Unassigned		(99)	(512)	(863)	(846)					
Total all other governmental funds	\$ 11,958	\$ 11,669	\$ 12,047	\$ 14,155	\$ 12,940	\$ 12,413	\$ 13,244	\$ 14,869	\$ 14,725	\$ 13,072
	\$ 24,436	\$ 21,143	\$ 20,012	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441

Implemented GASB 54 during the 2011 fiscal year changing the presentation of fund balance.

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Taxes	\$ 24,631	\$ 23,719	\$ 23,022	\$ 22,928	\$ 23,061	\$ 23,118	\$ 23,516	\$ 24,712	\$ 20,594	\$ 18,094
Licenses and permits	967	852	921	686	954	520	431	683	717	1,020
Intergovernmental revenues	17,557	17,392	14,625	15,289	16,865	12,579	13,229	14,980	19,892	25,491
Charges for services	3,827	3,558	3,880	3,427	3,946	4,116	3,329	4,757	4,696	3,848
Fines and forfeitures	1,573	1,557	1,632	1,357	1,407	1,444	1,416	1,321	1,245	1,173
Investment and rental income	2,029	2,025	1,389	1,264	817	923	922	1,312	998	707
Contributions and donations	282	1,003			689					
Miscellaneous revenue	538		1,078	813	799	1,093	1,762	822	304	653
Total revenues	51,404	50,106	46,547	45,764	48,538	43,793	44,605	48,587	48,446	50,986
Expenditures:										
Current:										
General government	9,151	9,019	8,522	8,820	7,667	7,666	8,431	9,545	8,893	8,345
Public protection	26,646	27,093	26,282	25,249	24,489	24,466	24,716	23,979	22,211	20,863
Public works	4,508	4,393	4,532	4,174	3,715	4,383	4,657	5,842	5,587	7,827
Community development	1,226	1,192	1,111	1,037	969	1,013	1,341	2,006	2,062	1,847
Library	1,311	1,268	1,411	1,381	1,357	1,322	1,500	1,673	1,588	1,468
Parks and recreation	2,145	2,299	2,370	2,254	4,127	4,180	3,776	3,826	3,598	3,440
Capital outlay	9,842	7,652	6,271	2,961	9,377	5,108	6,791	4,207	3,526	7,232
Debt service:										
Interest and fiscal charges	845	851	483	1,039	1,081	1,110	1,139	1,170	1,205	1,238
Principal payments			245	630	752	725	789	898	900	892
Advance refunding escrow			1,689							
Total expenditures	55,674	53,767	52,916	47,545	53,534	49,973	53,140	53,146	49,570	53,152
Excess (deficiency) of revenues over (under) expenditures	(4,270)	(3,661)	(6,369)	(1,781)	(4,996)	(6,180)	(8,535)	(4,559)	(1,124)	(2,166)

(Continued)

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Other financing sources (uses):										
Transfers in	15,599	11,596	12,546	14,486	11,881	11,173	10,609	7,058	8,863	9,142
Transfers out	(8,036)	(6,804)	(6,864)	(11,348)	(5,224)	(5,305)	(5,242)	(3,365)	(4,136)	(4,219)
Proceeds from sale of land					98					
Refunding bonds issued			20,103							
Payment to refunded bond escrow agent			(19,848)							
Total other financing sources (uses)	<u>7,563</u>	<u>4,792</u>	<u>5,937</u>	<u>3,138</u>	<u>6,755</u>	<u>5,868</u>	<u>5,367</u>	<u>3,693</u>	<u>4,727</u>	<u>4,923</u>
Special item- sale of parkland					630					
Net change in fund balances	3,293	1,131	(432)	1,357	2,389	(312)	(3,168)	(866)	3,603	2,757
Fund balances, beginning of year	21,143	20,012	20,444	19,087	16,698	17,010	20,178	21,044	17,441	14,684
Fund balances, end of year	<u>\$ 24,436</u>	<u>\$ 21,143</u>	<u>\$ 20,012</u>	<u>\$ 20,444</u>	<u>\$ 19,087</u>	<u>\$ 16,698</u>	<u>\$ 17,010</u>	<u>\$ 20,178</u>	<u>\$ 21,044</u>	<u>\$ 17,441</u>
Debt service as a percentage of noncapital expenditures	1.9%	1.9%	5.5%	3.9%	4.3%	4.3%	4.3%	4.4%	4.8%	4.9%

Source: City of Lodi Finance Services Division

City of Lodi

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year										% Change 2006 to 2015
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Property	\$ 8,810	\$ 8,314	\$ 7,955	\$ 7,861	\$ 8,285	\$ 8,342	\$ 8,887	\$ 9,210	\$ 9,289	\$ 7,676	15%
Sales and Use	10,625	10,111	9,350	9,246	8,663	6,873	8,028	9,296	10,137	9,812	8%
Transient Occupancy	666	594	545	486	426	382	405	396	380	368	81%
Franchise	1,942	1,862	1,758	1,734	1,715	1,681	1,415	976	929	890	118%
Documentary Transfer	159	155	120	91	95	117	114	125	235	355	-55%
Motor Vehicle in Lieu	4,533	4,289	4,143	4,151	4,317	4,377	4,784	4,797	4,635	4,402	3%
Public Protection	362	341	325	295	250	267	296	338	390	310	17%
Business License	1,133	1,220	1,187	1,182	958	962	1,038	1,140	1,082	973	16%
In Lieu Franchise	7,033	6,977	6,977	6,977	6,977	6,977	6,942	8,362	8,680	7,831	-10%
Totals	\$ 35,263	\$ 33,863	\$ 32,360	\$ 32,023	\$ 31,686	\$ 29,978	\$ 31,909	\$ 34,640	\$ 35,757	\$ 32,617	8%

Note: General governmental tax revenues are included in taxes, licenses and permits, intergovernmental revenues and miscellaneous revenues.

CITY OF LODI

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Secured roll	\$ 5,156,704	\$ 4,895,091	\$ 4,737,807	\$ 4,738,823	\$ 4,907,588	\$ 4,986,693	\$ 5,156,706	\$ 5,069,788	\$ 4,799,141	\$ 4,254,184
Utility roll	3,490	3,490	2,382	2,382	2,423	2,423	2,031	2,035	2,773	3,654
Unsecured roll	257,856	230,827	233,398	226,651	270,600	270,315	263,648	258,687	242,082	216,065
Gross assessed value	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903
Less exemptions (1)	326,833	324,439	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590
Net assessed value	<u>\$ 5,091,217</u>	<u>\$ 4,804,969</u>	<u>\$ 4,645,804</u>	<u>\$ 4,653,408</u>	<u>\$ 4,859,473</u>	<u>\$ 4,926,730</u>	<u>\$ 5,157,231</u>	<u>\$ 5,087,251</u>	<u>\$ 4,814,947</u>	<u>\$ 4,253,313</u>
Land	1,469,347	1,364,401	1,227,969	1,264,884	1,322,830	1,345,815	1,562,729	1,537,554	1,431,203	1,226,293
Improvements	3,610,391	3,443,266	3,445,328	3,401,792	3,534,778	3,600,824	3,577,741	3,503,186	3,327,453	2,989,575
Personal property	338,312	321,741	300,290	301,180	323,003	312,792	281,915	289,770	285,340	258,035
Gross assessed value	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903
Less exemptions (1)	326,833	324,439	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590
Net assessed value	<u>\$ 5,091,217</u>	<u>\$ 4,804,969</u>	<u>\$ 4,645,804</u>	<u>\$ 4,653,408</u>	<u>\$ 4,859,473</u>	<u>\$ 4,926,730</u>	<u>\$ 5,157,231</u>	<u>\$ 5,087,251</u>	<u>\$ 4,814,947</u>	<u>\$ 4,253,313</u>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$61,499 and other - \$265,384 = \$326,833

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 assessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (Rate per \$100 of assessed value)

Fiscal Year	Basic			Total
	Countywide Levy	School	All Other	
2015	1.0000	0.0658	0.0000	1.0658
2014	1.0000	0.0574	0.0000	1.0574
2013	1.0000	0.0646	0.0000	1.0646
2012	1.0000	0.0658	0.0000	1.0658
2011	1.0000	0.0626	0.0000	1.0626
2010	1.0000	0.0575	0.0000	1.0575
2009	1.0000	0.0517	0.0000	1.0517
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570

Source: San Joaquin County Tax Collector

CITY OF LODI

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO (Dollar amounts in thousands)

Taxpayer	Fiscal Year					
	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Lodi Memorial Hospital Assn	\$ 149,117	1	3.083 %	\$		%
Pacific Coast Producers	104,939	2	2.170	43,068	2	1.068
General Mills	86,831	3	1.795	152,102	1	3.771
California Physicians Service Corp	57,476	4	1.188			
Cottage Bakery Inc	41,022	5	0.848	25,341	4	0.628
Westcore Vine LP	26,417	6	0.546			
Costco	19,793	7	0.409			
Archer Daniels Midland Co Corp	18,405	8	0.381			
Dart Container Corp	16,638	9	0.344	17,625	8	0.437
North American Specialty Products LLC	15,723	10	0.325			
Pacific Coast Producers Corp.				34,267	3	0.850
Kristmont West				21,961	5	0.544
Parinehs Exchange 2004 LLC				19,539	6	0.484
Certainteed Corp				18,842	7	0.467
Fountains At Lodi LLC				13,031	9	0.323
Panattoni, Carl D ETAL				12,984	10	0.322
Principal Secured Property Valuation	536,361		11.089	358,760		8.894
Other Secured Taxpayers	4,620,343		95.520	3,895,424		96.575
Exemptions relative to secured tax roll	319,672		6.609	220,590		5.469
Total Secured Property Valuation	<u>\$ 4,837,032</u>		<u>100.000 %</u>	<u>\$ 4,033,594</u>		<u>100.000 %</u>

CITY OF LODI

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Total Collections to Date			
			Amount	Percent of Levy (1)	Amount	Percent of Levy		
2015	\$	8,742	\$	8,742	100.0%	\$	8,742	100.0%
2014		8,353		8,353	100.0%		8,353	100.0%
2013		7,865		7,865	100.0%		7,865	100.0%
2012		7,754		7,754	100.0%		7,754	100.0%
2011		8,143		8,143	100.0%		8,143	100.0%
2010		8,291		8,291	100.0%		8,291	100.0%
2009		7,966		7,966	100.0%		7,966	100.0%
2008		8,167		8,167	100.0%		8,167	100.0%
2007		8,170		8,170	100.0%		8,170	100.0%
2006		7,815		7,815	100.0%		7,815	100.0%

1) Per agreement with San Joaquin County, the County provides the City of Lodi with 100% of the amount owed to the City for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected for interest and penalties. This agreement is commonly referred to as the Teeter Plan.

Source: San Joaquin County Auditor/Controller's Office

**CITY OF LODI
ELECTRICITY SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS**

Type of Customer	Billed Accounts									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City Accounts	212	207	204	195	197	189	189	187	186	184
Contract Large Industrial								5	5	6
Contract Medium Industrial								1	1	2
Contract Small Industrial								1	0	1
Domestic Residential	22,393	22,623	22,541	22,361	22,360	22,525	22,506	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13	13	13	13	13	13	13	13
Dusk to Dawn	88	89	88	92	89	89	92	92	95	95
Large Commercial	337	339	344	336	350	357	377	380	375	359
Large Industrial	41	39	40	38	40	39	37	32	33	33
Medium Industrial	12	11	11	9	9	9	8	8	10	13
Residential Low Income	2,798	2,788	2,582	2,531	2,258	2,193	1,847	1,943	2,003	1,910
Small Commerical	3,332	3,367	3,358	3,340	3,324	3,280	3,249	3,199	3,241	3,279
Small Industrial	7	8	9	11	11	10	10	9	9	9
Total	29,233	29,484	29,190	28,926	28,651	28,704	28,328	28,380	28,909	28,764

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percent of Personal Income (1)	Per Capita (1)	
	Lease Revenue Bonds	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation and Revenue Bonds	Notes Payable				Total Business-type Activities
2015	\$ 19,950		\$ 245	\$ 20,195	\$ 149,767	\$	\$ 149,767	\$ 169,962	7.67 %	\$ 2,667
2014	20,004		245	20,249	157,297		157,297	177,546	9.10	2,821
2013	20,058		245	20,303	167,743		167,743	188,046	9.74	2,993
2012	21,025		245	21,270	173,241		173,241	194,511	10.34	3,096
2011	21,655		245	21,900	178,827		178,827	200,727	10.67	3,213
2010	22,265		245	22,510	144,165	1,409	145,574	168,084	8.49	2,645
2009	22,855		245	23,100	148,529	1,585	150,114	173,214	8.81	2,736
2008	23,420	94	245	23,759	140,640	1,755	142,395	166,154	8.99	2,622
2007	23,975	187	245	24,407	122,128	1,918	124,046	148,453	8.15	2,342
2006	24,510	279	245	25,034	125,863	2,077	127,940	152,974	8.93	2,435

Details regarding the City's outstanding debt can be found in Note 8 of these financial statements.

(1) See Demographic and Economic Statistics table for personal income and population.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(Dollar amounts in thousands, except per capita)

Fiscal Year	Lease Revenue Bonds	Less Amounts Available for Debt Service	Net	Percent of Assessed Value (1) of Property	Per Capita
2015	\$ 19,950		\$ 19,950	0.4 %	\$ 313.09
2014	20,004		20,004	0.4	314.28
2013	20,058	10	20,048	0.4	318.58
2012	21,025	1,692	19,333	0.4	307.73
2011	21,655	1,692	19,963	0.4	319.55
2010	22,265	1,692	20,573	0.4	323.73
2009	22,855	1,692	21,163	0.4	334.26
2008	23,420	1,692	21,728	0.4	342.92
2007	23,975	1,692	22,283	0.4	351.49
2006	24,510	1,692	22,818	0.5	363.25

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.

Source: City of Lodi Financial Services Division

CITY OF LODI

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assessed valuation (1)	\$ 5,152,666	\$ 4,867,731	\$ 4,709,916	\$ 4,718,766	\$ 4,926,130	\$ 4,995,362	\$ 5,227,580	\$ 5,159,269	\$ 4,887,074	\$ 4,325,000
Conversion percentage	<u>25%</u>									
Adjusted assessed valuation	1,288,167	1,216,933	1,177,479	1,179,692	1,231,533	1,248,841	1,306,895	1,289,817	1,221,769	1,081,250
Debt limit percentage	<u>15%</u>									
Debt Limit	193,225	182,540	176,622	176,954	184,730	187,326	196,034	193,473	183,265	162,188
Total net debt applicable to limit	<u>19,950</u>	<u>20,004</u>	<u>20,048</u>	<u>19,333</u>	<u>19,963</u>	<u>20,573</u>	<u>21,163</u>	<u>21,728</u>	<u>22,283</u>	<u>22,818</u>
Legal debt margin	<u>\$ 173,275</u>	<u>\$ 162,536</u>	<u>\$ 156,574</u>	<u>\$ 157,621</u>	<u>\$ 164,767</u>	<u>\$ 166,753</u>	<u>\$ 174,871</u>	<u>\$ 171,745</u>	<u>\$ 160,982</u>	<u>\$ 139,370</u>
Total net debt applicable to the limit as a percent of debt limit	10.3%	11.0%	11.4%	10.9%	10.8%	11.0%	10.8%	11.2%	12.2%	14.1%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the state.

(1) Reflects City assessed valuation with other exemptions of \$265,384 deducted for 2015.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015

	Total Debt	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING DEBT:			
San Joaquin Community College District	\$ 153,118,000	8.865 %	\$ 13,573,911
Lodi Unified School District	89,335,000	37.209	33,240,660
San Joaquin County Certificates of Participation	152,425,000	9.821	14,969,659
Lodi Unified School District Certificates of Participation	36,665,000	37.209	13,642,680
SUBTOTAL OVERLAPPING DEBT			<u>75,426,910</u>
DIRECT DEBT:			
City of Lodi Lease Revenue Bonds	19,950,250	100.00	19,950,250
City of Lodi - Note payable	245,000	100.00	245,000
SUBTOTAL DIRECT DEBT			<u>20,195,250</u>
TOTAL DIRECT AND OVERLAPPING DEBT(2)			<u><u>\$ 95,622,160</u></u>

2014-15 Gross Assessed Valuation \$ 5,418,050,000

2014-15 Population 63,719

		<u>Per Capita</u>	<u>Value</u>
DEBT RATIOS	Total Gross Debt	\$ 1,501	1.76%

(1) Percent of overlapping agency's assessed valuation located within the boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

SOURCE: California Municipal Statistics, San Francisco, CA
San Joaquin County Auditors-Controller Office
State of California, Department of Finance, Demographic Research Unit

CITY OF LODI

PLEGGED-REVENUE COVERAGE LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Electric Revenue Certificates of Participation							
2015	\$ 67,132	\$ 52,116	\$ 15,016	\$ 4,960	\$ 3,358	\$ 8,318	1.81
2014	67,144	50,349	16,795	4,750	3,606	8,356	2.01
2013	63,974	51,209	12,765	4,575	3,839	8,414	1.52
2012	65,220	50,164	15,056	3,270	4,021	7,291	2.07
2011	63,307	48,397	14,910	3,080	4,152	7,232	2.06
2010	70,288	49,949	20,339	2,920	4,274	7,194	2.83
2009	75,195	58,370	16,825	5,240	4,720	9,960	1.69
2008	74,923	54,437	20,486	2,305	3,961	6,266	3.27
2007	67,865	52,984	14,881	2,350	3,977	6,327	2.35
2006	61,066	51,131	9,935	-	3,613	3,613	2.75

CITY OF LODI

PLEGGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Wastewater Certificates of Participation and Revenue Bonds							
2015	\$ 15,845	\$ 6,335	\$ 9,510	\$ 1,500	\$ 2,172	\$ 3,672	2.59
2014	15,186	6,003	9,183	4,610	2,294	6,904	1.33
2013	14,305	5,674	8,631	1,500	2,560	4,060	2.13
2012	13,787	6,659	7,128	1,430	2,688	4,118	1.73
2011	16,508	5,972	10,536	1,370	2,748	4,118	2.56
2010	12,284	6,180	6,104	1,320	2,832	4,152	1.47
2009	10,764	5,921	4,843	1,270	2,882	4,152	1.17
2008	10,530	6,189	4,341	1,355	2,334	3,689	1.18
2007	9,881	5,287	4,594	1,315	2,017	3,332	1.38
2006	9,865	4,886	4,979	1,275	2,056	3,331	1.49

CITY OF LODI

PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less:	Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
		Principal			Interest (3)	Total		
Water Revenue Bonds								
2015	\$ 13,370	\$ 5,815	\$ 7,555	\$ 850	\$ 1,506	\$ 2,356	3.21	
2014	14,166	6,835	7,331	825	1,530	2,355	3.11	
2013	13,367	6,899	6,468	800	1,535	2,335	2.77	
2012	13,275	5,392	7,883	775	1,530	2,305	3.42	
2011	14,051	5,662	8,389	1,409	874	2,283	3.67	

Includes all nongeneral obligation long-term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in Note 8 of these financial statements.

- (1) Total operating revenues including investment earnings, operating grants, capital contributions and other revenue.
- (2) Total operating expenses including cost of services paid to the General Fund and excluding in-lieu fees, depreciation and amortization.
- (3) Net of Build America Bonds interest subsidy.

CITY OF LODI
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Square Miles	City Population	Population Percent Change	San Joaquin County Population	Population Percent of County	Rank in Size of California Cities	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate
2015	13.98	63,719	0.4%	719,511	8.9%	138	\$ 2,215	34,755	7.8%
2014	13.98	63,651	0.2%	710,731	9.0%	135	2,102	33,024	8.8%
2013	13.92	62,930	0.2%	698,414	9.0%	137	1,952	31,013	9.0%
2012	13.92	62,825	0.8%	695,750	9.0%	136	1,931	30,732	11.3%
2011	13.92	62,473	0.6%	690,899	9.0%	135	1,882	30,132	13.4%
2010	13.92	63,549	0.6%	694,293	9.2%	136	1,980	31,166	13.3%
2009	13.92	63,313	-0.1%	689,480	9.2%	135	1,967	31,071	12.2%
2008	13.92	63,362	-0.1%	685,600	9.2%	133	1,849	29,178	7.1%
2007	13.17	63,395	0.9%	679,687	9.3%	129	1,822	28,743	6.1%
2006	12.81	62,817	0.6%	668,265	9.4%	131	1,713	27,272	5.5%

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic analysis uses the Census Bureau's annual midyear population estimates.

Source: State of California, Department of Finance, Demographic Research Unit and Department of Labor.

CITY OF LODI

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	Current			Nine Years Ago			
	<u>Employees</u>	<u>Rank</u>	Percent	<u>Employees</u>	<u>Rank</u>	Percent	
			of Total City			of Total City	
			<u>Employment</u>			<u>Employment</u>	
Lodi Unified School District	3,090	1	11.83 %	2,400	1	9.19 %	
Lodi Memorial Hospital	1,386	2	5.31	900	2	3.44	
Pacific Coast Producers	2,800	3	10.72	500	4	1.91	
Blue Shield	780	4	2.99	550	3	2.11	
ConAgra	485	5	1.86				
General Mills	280	6	1.07	425	6	1.63	
City of Lodi	391	7	1.50	429	5	1.64	
Walmart	190	8	0.73	317	7	1.21	
Farmers & Merchants Bank	192	9	0.73	314	8	1.20	
Target	177	10	0.68	186	10	0.71	
Valley Industries				295	9	1.13	
Total	9,771		37.41	6,316		24.18	

CITY OF LODI

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011*	2010	2009	2008	2007	2006
Department:										
Administration	10	10	10	12	13	31	32	19	35	33
Community Development	11	9	9	9	13	13	13	14	18	17
Electric	48	43	40	40	41	51	50	48	64	65
Financial Services						24	26	39	30	28
Fire	53	53	53	54	64	64	64	64	64	61
Internal Services	31	31	31	29	35					
Library	10	10	11	12	14	14	14	14	16	14
Parks and Recreation						31	31	30	34	31
Parks, Recreation and Cultural Services	26	27	27	29	37					
Police	102	104	104	103	125	125	125	125	116	117
Public Works	100	95	92	93	98	102	102	107	114	99
Total	391	382	377	381	440	455	457	460	491	465

* Community Center, Human Resources and Information Systems were previously included in Administration. Budget, Financial Services, Human Resources and Information Services are now Internal Services. Community Center, Parks & Recreation are now Parks, Recreation and Cultural Services.

Source: City of Lodi Budget Document

CITY OF LODI
OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:										
Building permits issued	2,404	1,791	1,578	1,461	2,022	1,709	1,754	1,851	2,317	2,699
Business tax certificates:										
Retail sales and service	2,281	2,633	2,526	2,485	2,530	2,406	2,496	2,442	2,632	2,565
Manufacturers and processors	23	80	78	77	76	80	82	78	78	125
Professions	323	362	362	364	371	373	380	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,256	1,595	1,456	1,362	1,357	1,312	1,411	1,063	1,127	533
Utility billing/customer service:										
Number of customers	25,912	25,733	23,927	23,761	23,575	25,573	25,555	25,555	25,712	25,655
Energy sales (KWH)	438,780,911	437,294,133	435,822,465	435,655,731	421,130,329	434,200,987	452,075,554	450,407,709	458,740,745	459,637,092
Peak demand (MW)	134	126	122	116	116	120	134	134	144	127
Public safety:										
Police:										
Major reported crimes	2,268	2,519	2,643	3,573	2,885	2,377	2,454	2,993	3,096	3,234
Total arrests	3,690	3,656	3,825	4,350	4,410	4,238	4,646	5,590	5,463	5,162
Dispatched calls for service	35,992	35,281	50,124	46,756	52,061	51,870	56,391	55,911	53,686	55,937
Fire:										
Interior structure fire calls	32	33	67	57	56	47	69	88	79	66
Non-structural fire calls	143	1,923	209	163	121	123	123	160	163	158
Hazardous materials calls	65	53	58	41	69	70	70	35	27	26
Emergency medical calls	3,418	3,848	3,882	3,820	3,752	3,494	3,364	3,420	3,213	2,912
Total emergency calls	3,666	4,144	5,823	5,620	5,753	5,385	5,392	5,346	5,000	4,447
Total number of units dispatched	5,727	7,845	7,954	7,855	7,835	7,390	7,038	7,841	7,005	6,055
Public works:										
Miles of streets resurfaced	6	6	6	6	6	3	6	5	4	33
Fleet job orders completed	2,500	2,004	1,803	1,953	2,810	3,303	3,921	3,520	6,938	5,608
Trees planted	135	131	131				96	130	95	-
Water utility:										
New connections	8	8	8	7	8	17	17	35	110	266
Water main breaks	16	14	14	10	8	6	4	4	10	8
Wastewater utility:										
Average daily treatment (million gal/day)	4.6MG	5.0MG	5.10MG	6.5MG	6.5MG	6.5MG	6.5MG	6.5MG	6.9MG	6.7MG
Library:										
Registered borrowers	58,824	55,835	51,594	47,147	43,927	39,199	53,530	48,969	44,558	52,779
Circulation of library materials	197,673	225,476	215,293	217,742	248,250	251,967	219,711	280,466	273,270	281,216
Reference, research and informational questions answered	13,189	16,750	16,270	14,463	16,234	16,501	15,379	19,257	18,854	17,342
Annual attendance at libraries		209,929	224,762	222,148	210,279	207,123	n/a	296,793	288,070	287,986
Number of programs offered	432	284	407	432	388	344	316	348	339	320
Annual attendance at programs	12,888	10,824	14,443	12,993	13,133	10,676	8,765	11,242	10,700	10,872
Public access computer usage	41,180	47,126	45,871	47,428	58,990	52,124	38,388	38,999	35,260	29,896

(Continued)

CITY OF LODI
 OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Community center:										
Community center bookings	794	769	718	698	926	789	475	494	302	220
Instructional classes	500	553	580	307	536	583	507	530	478	509
Registered students	2,586	3,269	2,819	3,713	3,438	3,525	3,316	5,550	3,548	4,369
Yearly attendance	13,925	13,925	13,925	13,925	14,217	13,355	14,050	14,410	14,429	15,369
Parks and recreation:										
After school program registration (number of participants/sites)	315140/19	254,096/20	1,715/20	3,232/20	1,920/4	1,920/4	1,920/4	3,014/4	145,000/12	135,000/12
Adult sports										
Program/Participation	15,285	2,082	2,246	2,420	2,528	2,528	2,284	28,000	36,000	36,000
Programs offered	18	17	16	15	16	16	13	11	11	11
Partnerships	2	2	2	3	5	5	1	3	3	5
Tournaments	10	5	6	12	7	7	10	10	20	20
Youth/Teen sports										
Program attendance	3,621	3,672	3,643	3,889	4,251	4,251	215,000	195,000	200,000	200,000
Programs offered	18	18	19	24	16	16	24	14	14	20
Aquatics										
Program attendance	28,009	27,731	23,414	34,366	32,566	32,566	2,433	50,000	59,000	59,000
Number of programs	15	13	13	25	13	13	6	3	8	6

Source: City of Lodi

CITY OF LODI
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:										
Total square miles	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.17	12.81
Public safety:										
Police:										
Facilities:										
Stations	1	1	1	1	1	1	1	1	1	1
Animal control facility	1	1	1	1	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1	1	1	1	1
Vehicles:										
Marked patrol cars	23	23	23	23	23	23	25	25	25	28
Motorcycles and scooters	7	5	5	5	5	5	5	5	5	4
Animal control vehicles	2	2	2	2	2	2	2	2	2	3
Other automobiles	37	37	37	37	37	37	38	40	41	41
Fire:										
Facilities:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Vehicles:										
Fire engines	6	6	6	6	7	7	7	6	6	5
Trucks/Trailers	6	6	6	5	5	6	6	9	8	7
Other automobiles	11	11	11	9	8	10	12	7	10	11
Public works:										
Miles of streets	202	202	202	202	202	202	202	200	184	198
Miles of alley ways	16	16	16	16	16	16	16	16	16	16
Traffic signals	67	67	67	67	67	62	62	64	66	64
Street lights	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,203

(Continued)

CITY OF LODI
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Parks and recreation:										
Parks and squares	26	26	26	26	26	26	26	23	23	23
Park acreage	361	361	361	373	373	373	371	275	275	275
Boating facilities - launch lanes	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	4	4	3	3	3
Baseball/softball diamonds	20	20	20	24	24	24	24	26	26	26
Tennis courts	11	11	11	11	11	11	11	11	11	11
Skateboard park	1	1	1	1	1	1	1	1	1	1
Playgrounds	20	20	20	22	25	25	25	22	22	22
Ballpark	24	24	24	24	24	24	24	26	26	26
Soccer Field	22	22	22	22	22	22	22	22	22	22
Football Field	1	1	1	1	1	1	1	3	3	3
Handball/Basketball/Volleyball Courts/Bocce Courts	12	12	12	10	10	10	10	8	8	8
Horseshoe Pits	8	8	8	8	6	6	6	7	10	10
Library:										
Central library	1	1	1	1	1	1	1	1	1	1
Total items in collection	119,554	148,287	149,243	135,113	134,804	130,530	135,197	142,885	142,098	134,129
Integrated library system	1	1	1	1	1	1	1	1	1	1
Microfilm readers	1	1	1	1	1	1	1	1	1	1
Microfilm readers/printers	1	1	1	1	1	1	1	1	1	1
Self check out machines	2	2	2	2	2	2	2	0	1	1
Electric utility:										
Overhead lines 12kv (miles)	117	117	133	133	133	130	130	130	129	129
Overhead lines 60kv (miles)	14	14	14	14	13	13	13	13	13	13
Underground lines (miles)	118	115	159	159	157	155	154	153	151	151

(Continued)

CITY OF LODI
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water utility:										
Water main lines	236	236	236	236	236	237	233	233	238	235
Water storage capacity (gallons)	4,100,000	4,100,000	4,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	28	28	28	27	27	26	26	26	26	26
Water reservoirs	3	3	3	2	2	2	2	2	2	2
Wastewater utility:										
Wastewater main lines (miles)	196	196	196	196	196	191	194	194	189	182
Treatment capacity	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1	1	1	1	1	1	1	1
Stormwater utility:										
Stormwater main drain lines (miles)	124	124	124	124	124	124	161	119	161	115
Stormwater pump stations	14	14	14	14	14	14	14	14	14	13
Central parking district:										
Parking structure	1	1	1	1	1	1	1	1	1	1
Parking spaces	2,450	2,450	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453
Parking lots	25	25	25	25	25	25	25	25	25	25

Source: City of Lodi Departments

SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor

Pass-through Grantor or Direct Federal Program Title	CFDA Number	Grant/Project Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-06-0038	\$ 263,095
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0038	<u>221,663</u>
Total Community Development Block Grants/Entitlement Grants			<u>484,758</u>
U.S. Department of Justice			
Direct:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0877	<u>9,846</u>
U.S. Department of Transportation			
Direct:			
Federal Transit - Formula Grants	20.507	CA-95-X169	130,542
Federal Transit - Formula Grants	20.507	CA-95-X207	1,442,302
Federal Transit - Formula Grants	20.507	CA-90-Z171	332,800
Federal Transit - Formula Grants	20.507	CA-90-Z281	678,769
Federal Transit - Formula Grants	20.507	CA-90-Z293	<u>913,769</u>
Total Federal Transit - Formula Grants			<u>3,498,182</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor

Pass-through Grantor or Direct Federal Program Title	CFDA Number	Grant/Project Number	Federal Expenditures
U.S. Department of Transportation (Continued)			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	STPL-5154(040)	\$ 230,890
Highway Planning and Construction	20.205	RPSTPLE-5154(044)	<u>43,358</u>
Total Highway Planning and Construction			<u>274,248</u>
Passed through California Office of Traffic Safety			
State and Community Highway Safety	20.600	PT1462	26,531
Passed through University of California, Berkeley:			
State and Community Highway Safety	20.600	SC14230	<u>14,602</u>
Total State and Community Highway Safety			<u>41,133</u>
Passed through California Office of Traffic Safety			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1557	112,533
Passed through City of Stockton:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1160	<u>16,473</u>
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>129,006</u>
Total U.S. Department of Transportation			<u>3,942,569</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,437,173</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF LODI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2015, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note 1 of the City’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental fund types and the full accrual basis of accounting for grants accounted for in proprietary fund types, as described in Note 1 of the City’s basic financial statements.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and Office of Management and Budget’s Catalog of Federal Domestic Assistance.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the SEFA, the City provided federal awards to subrecipients as follows:

Federal Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/ Entitlement Grants	14.218	\$192,737

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Members of City Council
City of Lodi, 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 Lodi, California (City), as of and for the year ended June 30, 2015, 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 3, 2016.

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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, professional style.

Sacramento, California
February 3, 2016



**Independent Auditor's Report on Compliance for the Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

The Honorable Members of City Council
City of Lodi, California

Report on Compliance for the Major Federal Program

We have audited the City of Lodi's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Sacramento, California
February 3, 2016

**CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
Identification of major federal programs:	
<u>Federal Program Title</u>	<u>CFDA No.</u>
Federal Transit – Formula Grants	20.507
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

Reference Number: 2015-001

Criteria:

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:

The City is not charging City funds their share of the City's Other Postemployment Benefits (OPEB) costs accumulating in its Benefits Internal Service Fund.

Context:

The Benefits Internal Service Fund's deficit net position balances were \$1,078,724, \$1,930,874, \$2,934,664, \$3,621,665, \$3,203,516, \$3,568,267, and \$3,712,939 as of June 30, 2009, 2010, 2011, 2012, 2013, 2014, and 2015, respectively.

Effect:

This condition resulted in an increase of \$144,672 in the deficit net position of the Benefits Internal Service Fund during the year ended June 30, 2015.

Cause:

The City is only charging City funds their share of the City's OPEB costs that it has chosen to pay under a pay-as-you-go basis.

Recommendation:

Under generally accepted accounting principles, the City should either charge City funds their share of the OPEB costs incurred in its Benefits Internal Service Fund as opposed to limiting the charges to those costs actually paid, or report the OPEB liability in other City funds like is done for the net pension liability.

Management Response and Corrective Action:

The City's practice of reflecting the total liability and expense of the OPEB program in the Benefits Internal Service Fund enhances transparency in reporting by showing the impact of this reporting requirement in one location. The deficit net position will continue until the City fully funds the actuarially calculated liability and expense that it is required to record. Staff will bring forward the deficit amount each budget cycle for City Council consideration.

Section III – Federal Award Findings and Questioned Costs

None

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Financial Statement Findings

Reference Number: **2014-001**

Criteria:

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:

The City is not charging City funds their share of the City's Other Postemployment Benefits (OPEB) costs accumulating in its Benefits Internal Service Fund.

Context:

The Benefits Internal Service Fund's deficit net position balances were \$1,078,724, \$1,930,874, \$2,934,664, \$3,621,665, \$3,203,516, and \$3,568,267 as of June 30, 2009, 2010, 2011, 2012, 2013, and 2014, respectively.

Effect:

This condition resulted in an increase of \$364,751 in the deficit net position of the Benefits Internal Service Fund during the year ended June 30, 2014.

Cause:

The City is only charging City funds their share of the City's OPEB costs that it has chosen to pay under a pay-as-you-go basis.

Recommendation:

Under generally accepted accounting principles, the City needs to charge City funds their share of the OPEB costs incurred in its Benefits Internal Service Fund as opposed to limiting the charges to those costs actually paid.

Management Response and Corrective Action:

The City's practice of reflecting the total liability and expense of the OPEB program in the Benefits Internal Service Fund enhances transparency in reporting by showing the impact of this reporting requirement in one location. The deficit net position will continue until the City fully funds the actuarially calculated liability and expense that it is required to record. Staff will bring forward the deficit amount each budget cycle for City Council consideration.

Status:

During the year ended June 30, 2015, the Benefits Internal Service Fund's deficit net position increased by \$144,672, therefore this recommendation continues as finding 2015-001.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Reference Number: **2014-002**

Criteria:

Under generally accepted accounting principles, costs directly related to the acquisition or construction of capital assets, should be capitalized and not expensed. The City defines capital assets as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years.

Condition:

Transactions relating to the City's water meter capital asset project were expensed.

Cause:

The condition is a result of the timing of the City's year-end close process. The City runs a capital report identifying the City's capital asset activity and reconciles the activity to general ledger activity to ensure all costs were captured. However, costs relating to a capital project were accrued and reported in the general ledger subsequent to the previously mentioned reconciliation, thus project costs were improperly reported as an expense and not capitalized.

Effect:

As a result of this condition, a significant audit adjustment for the Water Fund debiting "capital assets" on the Statement of Net Position and crediting "services and supplies" expense on the Statement of Revenues, Expenses and Changes in Net Position for \$1,499,302 was recorded.

Recommendation:

The City should improve its year-end procedures for identifying capital projects to ensure proper financial reporting.

Management Response and Corrective Action:

The City is currently transitioning to a new financial system which includes capital assets and project management modules. These two modules will not only streamline the year-end capitalization process, it will also ensure proper financial reporting of the City's capital assets.

Status:

No transactions that should have been capitalized were determined to have been expensed during the year, therefore we consider this recommendation implemented.

CONTINUING DISCLOSURES

UNAUDITED

**CONTINUING DISCLOSURE REQUIREMENTS FOR THE CITY OF LODI, THE LODI PUBLIC IMPROVEMENT CORPORATION
AND THE LODI PUBLIC FINANCING AUTHORITY
Fiscal Year 2012-13**

The City of Lodi has executed Continuing Disclosure Certificates associated with the various debt issues outstanding by the Electric Utility, Wastewater Utility and the Lodi Public Improvement Corporation. These Certificates were executed to satisfy provisions of Securities and Exchange Commission Rule 15c2-12(b) (5). The material provided herein applies to the various debt issues as noted. Data for each utility is shown separately.

This Bond Disclosure Section included within the City's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificates. The CAFR, in turn, will be filed with the Municipal Securities Rulemaking Board. The CAFR may also be found on the City's website at www.lodi.gov.

ANNUAL REPORT FOR ELECTRIC UTILITY

The Lodi Electric Utility has Continuing Disclosure requirements associated with its 2008 Series A Certificates of Participation, and 2002 Taxable Series D Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Electric Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's power supply resources for the most recently completed fiscal year.
2. A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.
3. A table showing the outstanding debt of joint powers agencies in which Lodi participates and the City of Lodi share of that debt for the most recent fiscal year.
4. A table showing a summary of Operating Results for the past five fiscal years.
5. A table showing Lodi Electric Utility Department Rate Changes since November 1996 (applicable only to the 2002 Series C and D issues).

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City's power supply resources.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
POWER SUPPLY RESOURCES**

Source	Capacity Available (MW) ⁽¹⁾⁽⁴⁾	Actual Energy (MWh)	% of Total Energy
Purchased Power ⁽²⁾ :			
Western	8.00	9,824	2.15%
NCPA			
Geothermal Project	12.91	87,319	19.09
Hydroelectric Project	26.20	17,217	3.76
Combustion Turbine Project No. 1	9.98	439	0.10
Capital Facilities, Unit One	19.71	1,442	0.32
Lodi Energy Center	28.75	158,527	34.65
Contracts and Exchanges ⁽³⁾	45.00	182,686	39.93
Total	150.55	457,454⁽⁴⁾	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	3,326	
City System Requirement for Retail Load	134.01	454,128	

(1) Source: NCPA. Non-coincident capacity.

(2) Entitlements, firm allocations and contract amounts.

(3) Includes participation in NCPA/Seattle City Light exchange.

(4) Includes supply from exchanges and line losses.

Table 2 A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
CUSTOMER SALES, REVENUE AND DEMAND**

	Fiscal Years Ended June 30,				
	2011	2012	2013	2014	2015
Number of Customers:					
Residential	22,251	22,244	22,369	22,547	22,355
Commercial	2,865	2,834	2,902	2,898	3,264
Industrial	39	37	39	38	40
Other	229	235	246	250	253
Total Customers	25,384	25,350	25,556	25,733	25,912
Kilowatt-Hour (kWh) Sales:					
Residential	144,256,683	149,814,375	151,814,834	148,762,783	148,950,428
Commercial	137,584,723	138,735,487	140,733,500	146,176,148	149,380,413
Industrial	128,072,575	135,620,441	131,473,405	130,333,102	128,814,673
Other	11,216,348	11,485,428	11,800,726	12,022,160	11,635,397
Total kWh sales	421,130,329	435,655,731	435,822,465	437,294,193	438,780,911
Revenues from Sale of Energy:					
Residential	\$ 24,513,202	\$ 25,606,368	\$ 25,377,978	\$ 25,270,075	\$ 25,165,194
Commercial	21,870,624	21,814,073	21,816,149	23,127,603	23,780,354
Industrial	13,914,539	14,876,828	14,173,951	14,381,296	14,418,921
Other	1,868,985	1,954,099	1,861,567	1,913,833	1,871,470
Total Revenues from Sale of Energy:	\$ 62,167,350	\$ 64,251,368	\$ 63,229,645	\$ 64,692,808	\$ 65,235,939
Peak Demand (MW)	123.9	116.0	123.3	128.7	134.0

Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi, audited annual financial statements and Customer Information System reports.

Table 3 A table showing the outstanding debt of joint powers agencies in which Lodi participates.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
OUTSTANDING DEBT OF JOINT POWERS AGENCIES
(Dollar Amounts in Millions)**

	<u>Outstanding Debt⁽¹⁾</u>	<u>Lodi's Participation⁽²⁾</u>	<u>Lodi's Share of Outstanding Debt</u>
NCPA			
Geothermal Project Three	\$ 38.0	10.28%	\$ 3.9
Hydroelectric Project	383.0	10.37	39.7
Capital Facilities Project Unit One	44.6	39.50	17.6
Lodi Energy Center Project	241.0	17.03	41.0
TANC			
COTP	284.0	1.92 ⁽³⁾	5.5
TOTAL*	<u>\$ 990.6</u>	<u>10.87%</u>	<u>\$ 107.7</u>

* Columns may not add to totals due to independent rounding.

(1) Source: NCPA Financial Statements.

(2) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without the written Consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

(3) Lodi's actual payment obligation differs slightly from this percentage due to varying shares of certain series of TANC bonds relating to each TANC member-participant's taxable portion and each TANC member-participant's participation or non-participation in acquisition of assets from Vernon. Effective July 1, 2014, Lodi has entered into a layoff of its COTP interest which will effectively reduce Lodi's share of outstanding debt to \$0. Lodi remains contractually obligated for its share.

Source: Northern California Power Agency.

Table 4 A table showing a summary of operating results for the past five fiscal years.

**CITY OF LODI
ELECTRIC SYSTEM
SUMMARY OF OPERATING RESULTS ⁽¹⁾
Ending Fiscal Year June 30 (Dollars in 000s)**

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Operating Revenues					
Rate Revenue	\$ 59,676	\$ 61,658	\$ 61,888	\$ 61,837	\$ 63,370
ECA Revenue	2,491	2,593	1,341	2,856	1,867
Other Revenue	1,140	969	745	2,451	1,895
Total Operating Revenue	<u>63,307</u>	<u>65,220</u>	<u>63,974</u>	<u>67,144</u>	<u>67,132</u>
Operating Expenses					
Purchased Power	35,282	39,416	39,191	37,303	38,512
Non-Power Costs ⁽²⁾	13,115	10,748	12,018	13,046	13,604
Total Operating Expenses	<u>48,397</u>	<u>50,164</u>	<u>51,209</u>	<u>50,349</u>	<u>52,116</u>
Net Revenue Available for Debt Service	<u>14,910</u>	<u>15,056</u>	<u>12,765</u>	<u>16,795</u>	<u>15,016</u>
Parity Debt Service					
2002 C & D, 2008 A Bonds	7,232	7,291	8,414	8,356	8,318
Total Net Debt Service	<u>7,232</u>	<u>7,291</u>	<u>8,414</u>	<u>8,356</u>	<u>8,318</u>
Debt Service Coverage	2.06	2.07	1.52	2.01	1.81
Remaining Revenue Available for Other Purposes	7,678	7,765	4,351	8,439	6,698
Non-Operating Revenue/Expenses					
Greenhouse gas allowance			2,018	453	2,323
In-Lieu Transfer to General Fund	(6,977)	(6,977)	(6,977)	(6,977)	(7,033)
Net Cash Flow Before Capital Expenditures	<u>701</u>	<u>788</u>	<u>(608)</u>	<u>1,915</u>	<u>1,988</u>
Beginning Operating Reserve	25,899	28,455	30,384	31,082	33,850
Changes in GOR	1,854	1,141	1,306	942	745
Net Deposit/Withdrawal from Reserves	701	788	(608)	1,915	1,988
Ending Operating Reserve	<u>\$ 28,454</u>	<u>\$ 30,384</u>	<u>\$ 31,082</u>	<u>\$ 33,939</u>	<u>\$ 36,583</u>

Source: City of Lodi

(1) As defined in the Installment Purchase Contract, this may or may not be on the same basis as Generally Accepted Accounting Principles.

(2) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

Table 5 A table showing Lodi Electric Utility Department Rate Changes since November 1996.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
RATE CHANGES**

Effective Date	Percent Change
September 2015	Extended Economic Development Rates
January 2015	Average 5% increase across all rate classes
July 2013	Established Electric Vehicle and Industrial Equipment Charging Rates
April 2009	Established Economic Development Rates updated July 2013
December 2007	Established Solar Initiative Surcharge of \$0.00125 per kilowatt-hour
August 2007	Implemented monthly Energy Cost Adjustment
December 2005	Average 17% increase across all rate classes
December 2002	4.5% average rate increase
August 2001	Increased MCA for all but contract customers: 10% to 12% rate change
June 2001	Implemented MCA for residential and small commercial: 8% to 10% rate change
December 1998	5.00% rate decrease for small commercial/industrial customers
May 1998	2.50% general rate increase to fund public benefit programs
September 1997	4.5 to 5.5 cents per kilowatt-hour, non-demand, non-time-use, contract rate available for new large commercial/industrial loads
December 1996	10% to 40% economic development discount on new small to medium commercial/industrial electric loads

November 1996

Economic Stimulus Rate Credit increased to 1.262 cents per kilowatt-hour from 0.4 cents per kilowatt-hour for largest primary service customers (estimated 19% reduction)

Source: City of Lodi.

ANNUAL REPORT FOR WASTEWATER UTILITY

The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2004 Series A Certificates of Participation, 2007 Series A Certificates of Participation and the 2012 Refunding Wastewater Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Wastewater Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's number of connections by user type for the past five fiscal years.
2. A table showing the proportion of service charge revenue by class of user for the most recent fiscal year (applicable only to the 2004 Series A issue).
3. A table showing the largest users by service charge revenues for the most recent fiscal year.
4. A table showing a schedule of service charges.
5. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2007 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City's number of connections by user type for the past five fiscal years.

**City of Lodi
Wastewater System
Number of Connections by User Type
as of June 30
and Percentage of Fiscal Year 2014-15 Service Charge Revenue by User Type**

User Type	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>% of FY 14/15 Service Charge Revenue</u>
Residential	21,956	21,864	21,959	22,076	21,920	77%
Commercial/Industrial	<u>1,785</u>	<u>1,819</u>	<u>1,851</u>	<u>1,851</u>	<u>1,876</u>	<u>23%</u>
Total All Users	<u><u>23,741</u></u>	<u><u>23,683</u></u>	<u><u>23,810</u></u>	<u><u>23,927</u></u>	<u><u>23,796</u></u>	<u><u>100%</u></u>

Source: City of Lodi

Table 2 A table showing the proportion of service charge revenue by class of user for the most recent fiscal year.

**City of Lodi
Wastewater System
Proportion of Service Charge Revenues by Class of User
Fiscal Year 2014-15**

User Type	Percentage of Total Annual Service Charge Revenue
Single Family Residential	60%
Multiple Family Residential	17%
Commercial/Industrial	23%
Total	100%

Source: City of Lodi

Table 3 A table showing the largest users by service charge revenue for the most recent fiscal year.

**City of Lodi
Wastewater System
Largest Users by Service Charge Revenues
Fiscal Year 2014-15**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
ConAgra Foods	Specialty bakery, frozen dough	\$ 474,855	3.23%
General Mills	Cereals, bread mixes, snack foods	332,022	2.26
Lodi Unified School District	K-12, adult education	95,931	.65
Miller Packing Company	Hot dog producer	39,311	.27
Blue shield of California	Health Insurance	39,119	.27
Archer Daniels Midland	Agricultural processor	35,804	.24
Pacific Coast Producers	Private label fruit canning	32,856	.22
Covenant Care	Rehabilitation/Nursing Center	21,397	.14
Vienna Convalescent Hospital	Rehabilitation/Nursing Center	21,140	.14
Del Castillo Foods	Tortilla producer	20,580	.14
Total top ten users		\$ 1,113,015	7.56%
Total System		\$ 14,714,123	100.00%

Table 4 A table showing the schedule of service charges.

**City of Lodi
Wastewater System
Schedule of Wastewater Service Charges**

	<u>Service Charge</u> <u>(effective July</u> <u>1, 2011)</u>	<u>Service Charge</u> <u>(effective July</u> <u>1, 2012</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2013)</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2014)</u>
For Residential Users (per month):				
1 Bedroom.....	\$24.47	\$25.20	\$25.83	\$26.48
2 Bedrooms.....	32.62	33.60	34.44	35.30
3 Bedrooms.....	40.78	42.00	43.05	44.13
4 Bedrooms.....	48.93	50.40	51.66	52.95
5 Bedrooms.....	57.09	58.80	60.27	61.78
6 Bedrooms.....	65.24	67.20	68.88	70.60
7 Bedrooms.....	73.40	75.60	77.49	79.43
For Commercial/Industrial Users:				
Moderate Strength (annual per Sewage Service Unit (SSU).....	\$391.44	\$403.20	\$413.28	\$423.61
High Strength:				
Flow (annual per MG).....	3,303.25	3,402.35	3,487.41	3,574.60
BOD (annual per 1,000 lbs.).....	545.12	561.47	575.51	589.90
SS (annual per 1,000 lbs.).....	340.84	351.07	359.85	368.85
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.).....	288.63	297.29	304.72	312.34
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.).....	612.73	631.11	646.89	663.06
Disposal to Storm Drain System (per MG).....	303.18	312.28	320.09	328.09
Disposal to Industrial System:				
Flow (per MG, annual basis).....	2,609.28	2,687.56		
BOD (per 1,000 lbs., annual basis).....	23.92	24.64		
Winery Waste (per 1,000 gallons).....	292.27	301.01	301.04	

Table 5 A table showing historic operating results and debt service coverage for the past five fiscal years.

City of Lodi Wastewater System Historical Operating Results and Debt Service Coverage Fiscal Years 2010-11 through 2014-15					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Operating Revenues					
Charges for Services	\$13,089,679	\$13,280,216	\$13,747,216	\$14,305,093	\$14,714,123
Non-Operating Revenues					
Interest Income	220,600	216,108	301,347	427,308	356,590
Rent					
Other	3,198,194	290,819	256,868	453,798	774,007
Total System Revenues	<u>16,508,473</u>	<u>13,787,143</u>	<u>14,305,431</u>	<u>15,186,199</u>	<u>15,844,720</u>
Operating Expenses					
Personnel services	3,257,618	3,130,012	3,089,930	3,215,190	3,116,493
Supplies, Materials and services	1,955,464	2,818,041	1,900,710	2,145,745	2,541,909
Utilities	758,934	710,622	683,508	642,508	676,838
Total Operating Expenses	<u>5,972,016</u>	<u>6,658,675</u>	<u>5,674,148</u>	<u>6,003,443</u>	<u>6,335,240</u>
System Net Revenues	10,536,457	7,128,468	8,631,283	9,182,756	9,509,480
Parity Debt Service					
2003 Installment Payments	381,393	379,170	381,122	3,280,111	
2004 Installment Payments	2,147,600	2,139,350	1,705,213	98,321	98,325
2007 Installment Payments	1,588,750	1,599,050	1,598,950	1,603,550	1,602,850
2012 Installment Payments			374,519	1,921,700	1,970,350
Total Parity Debt Service	<u>4,117,743</u>	<u>4,117,570</u>	<u>4,059,804</u>	<u>6,903,682</u>	<u>3,671,525</u>
Debt Service Coverage	2.56	1.73	2.13	1.33	2.59
Non-Operating Expenses					
Transfers (In)/Out	1,451,480	(778,092)	1,451,480	1,318,000	1,068,000
Total Non-Operating Expenses	1,451,480	(778,092)	1,451,480	1,318,000	1,068,000
Net Cashflow Before Capital Expenditures	\$4,967,234	\$3,788,990	\$3,119,999	\$961,072	\$4,769,955

Source: Financial Services Division

Additional Indebtedness

The Wastewater Utility did not incur any additional indebtedness during the 2014-15 fiscal year which is payable from the system net revenues on a parity with the installment payments.

ANNUAL REPORT FOR THE LODI PUBLIC IMPROVEMENT CORPORATION AND THE LODI PUBLIC FINANCING AUTHORITY

The Lodi Public Improvement Corporation and the Lodi Public Financing Authority have Continuing Disclosure requirements associated with its 2012 Refunding Lease Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi.

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the approved budget and actual results for the most recent fiscal year.
2. A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.
3. A table showing the assessed valuations for the last five fiscal years.
4. A table showing the secured property tax collections for the past ten fiscal years.
5. A table showing the ten largest locally secured taxpayers for the last fiscal year.
6. A table showing the Employee-paid and City-paid employee portion of the retirement plan.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

***Table 1* A table setting forth the approved budget and actual results for the most recent fiscal year.**

Please refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 86 of this Comprehensive Annual Financial Report.

Table 2 A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FIVE YEARS**

	2011	2012	2013	2014	2015
Revenues:					
Taxes	\$ 23,061,164	22,928,438	23,022,370	23,718,396	24,630,745
Licenses and permits	83,395	79,745	62,582	83,420	87,908
Intergovernmental revenues	10,032,523	10,449,364	10,531,871	11,319,708	12,642,107
Charges for services	1,035,220	682,156	1,105,178	1,025,851	1,482,448
Fines, forfeits and penalties	1,404,307	1,355,101	1,628,870	1,552,531	1,573,071
Investment and rental income	455,923	807,270	979,100	1,548,787	1,546,845
Miscellaneous revenue	480,028	286,125	393,299	352,331	290,951
Total revenues	<u>36,552,560</u>	<u>36,588,199</u>	<u>37,723,270</u>	<u>39,601,024</u>	<u>42,254,075</u>
Expenditures:					
Current:					
General government	6,478,159	6,007,327	5,943,192	6,482,226	6,490,907
Public protection	24,091,472	24,923,155	25,920,654	26,470,110	26,388,172
Public works	1,421,238	1,112,569	1,555,833	1,554,939	1,882,250
Library	1,357,473	1,380,972	1,410,657	1,267,850	1,311,367
Parks and recreation	2,191,102				
Debt service:					
Interest and fiscal charges	6,427				
Principal payments	141,576				
Total expenditures	<u>35,687,447</u>	<u>33,424,023</u>	<u>34,830,336</u>	<u>35,775,125</u>	<u>36,072,696</u>
Excess of revenues over expenditures	<u>865,113</u>	<u>3,164,176</u>	<u>2,892,934</u>	<u>3,825,899</u>	<u>6,181,379</u>
Other financing sources (uses):					
Transfers in	5,379,186	5,370,230	5,367,990	3,952,000	3,952,000
Transfers out	(4,383,110)	(8,391,858)	(6,584,665)	(6,269,351)	(7,128,586)
Total other financing sources (uses)	<u>996,076</u>	<u>(3,021,628)</u>	<u>(1,216,675)</u>	<u>(2,317,351)</u>	<u>(3,176,586)</u>
Net change in fund balances	1,861,189	142,548	1,676,259	1,508,548	3,004,793
Fund balances, beginning of year	4,285,216	6,146,405	6,288,953	7,965,212	9,473,760
Fund balances, end of year	\$ <u>6,146,405</u>	<u>6,288,953</u>	<u>7,965,212</u>	<u>9,473,760</u>	<u>12,478,553</u>

Table 3 A table showing the assessed valuations for the last five fiscal years.

Please refer to the table shown in the Statistical Section on page 115.

Table 4 A table showing the secured property tax collections for the past ten fiscal years.

Please refer to the table shown in the Statistical Section on page 118.

Table 5 A table showing the ten largest locally secured taxpayers for the last fiscal year.

Please refer to the table shown in the Statistical Section on page 117.

Table 6 A table showing the Employee-paid and City-paid employee portion of the retirement plan.

**Pension Contributions
As of Fiscal Year Ended June 30, 2015**

<u>Bargaining Units</u>	<u>Employee Paid*</u>	<u>City Paid</u>	<u>Total Employee Share</u>
Council appointees	7.0%	%	7.0%
Executive management	7.0		7.0
Confidential mid-management	7.0		7.0
Confidential	7.0		7.0
Fire mid-management	9.0		9.0
Fire	9.0		9.0
Mid-management	7.0		7.0
General services	7.0		7.0
Maintenance and operators	7.0		7.0
IBEW	7.0		7.0
Police mid-management	9.0		9.0
Police	9.0		9.0
Dispatchers	7.0		7.0
*PEPRA Miscellaneous Employees	6.75		6.75
*PEPRA Safety Employees	11.25		11.25

ANNUAL REPORT FOR WATER UTILITY

The Lodi Water Utility has Continuing Disclosure requirements associated with its 2010 Series A and B Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Water Utility).

The annual report also contains the following four (4) tables as required in the Certificates:

1. A table setting forth the City's number of accounts and revenues by user type for the past five fiscal years.
2. A table showing the largest users by service charge revenues for the most recent fiscal year.
3. A table showing a schedule of selected rates effective January 1, 2015.
4. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2010 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table showing number of accounts and revenues by user type.

**CITY OF LODI
WATER SYSTEM
Number of Accounts and Revenues by User Type**

Year Ending December 31	Commercial/Industrial/ <u>Municipal</u>		<u>Residential</u>	
	Number of Accounts	Revenue	Number of Accounts	Revenue
2007	1,445	\$ 2,043,731	21,533	\$ 8,715,928
2008	1,470	2,184,496	21,449	9,429,594
2009	1,382	2,188,486	21,577	9,600,129
2010	1,383	2,097,001	21,622	9,604,412
2011	1,396	2,169,967	21,593	9,706,537
2012	1,432	2,329,957	23,399	8,411,315
2013	1,415	2,436,777	21,717	10,353,374
2014	1,435	2,534,741	21,722	10,359,235

Source: City of Lodi

Table 2 A table showing the largest users by service charge revenue for the most recent fiscal year.

**City of Lodi
Water System
Largest Users by Service Charge Revenues
Fiscal Year 2014-15**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Lodi Unified School District	K-12, adult education	\$ 303,546	2.39%
City of Lodi	Government	280,366	2.20
Pacific Coast Producers	Private label fruit canning	142,558	1.12
General Mills	Cereals, bread mixes, snack foods	81,600	0.64
ConAgra Foods	Specialty bakery, frozen dough	64,539	0.51
Lodi Memorial Hospital	Health care	54,230	0.43
Lodi Grape Festival	Festival Grounds	20,728	0.16
Temple Baptist Church	Church	17,848	0.14
Wine & Roses	Hotel and restaurant	13,623	0.11
Blue Shield of California	Health insurance	12,815	0.10
Subtotal Top Ten Users		\$ 991,853	7.80%
 TOTAL SYSTEM		 \$ 12,722,619	 100.00%

Table 3 A table showing selected rates effective January 1, 2015.

**CITY OF LODI
WATER SYSTEM
Selected Rates Effective January 1, 2015**

<u>Percent Increase</u>	<u>Current</u>
<i>Flat Rates (\$/month)</i>	
Single Family Residential Unit (\$/month)	
1 Bedroom	\$31.26
2 Bedroom	\$37.55
3 Bedroom	\$45.00
<i>Metered Water Rates</i>	
Service Charge (\$/month)	
<i>Single Family Residential</i>	
Up to 3/4" Meter	\$22.58
<i>Multi-Family and Non-Residential</i>	
1" Meter	\$35.91
1 1/2" Meter	\$63.66
2" Meter	\$93.26
Water Usage rates (\$/CCF)	
<i>Single Family Residential</i>	
Tier 1 - 0 to 10 CCF/month	\$0.96
Tier 2 - 11 to 50 CCF/month	\$1.32
Tier 3 - Over 50CCF/month	\$1.68
<i>Multi-Family and Non-Residential</i>	
All Water Usage	1.08

Source: City of Lodi.

Table 4 A table showing historic operating results and debt service coverage for the past five fiscal years.

**CITY OF LODI
WATER SYSTEM
Historical Operating results and Debt Service Coverage
Fiscal Years 2010-11 through 2014-15**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Gross Revenues					
Water Sales ⁽¹⁾	11,940,022	12,083,226	12,441,039	12,756,076	12,722,619
Investment Earnings	83,374	119,526	67,892	118,799	87,211
Water Impact Mitigation Fees	14,803	111,429	2,529	60,000	20,299
Meter Retrofit Installation Charges	1,653,399	675,815	585,965	405,677	56,052
Other Revenues ⁽²⁾	359,979	285,093	269,335	825,314	483,710
Total Gross Revenues	<u>14,051,577</u>	<u>13,275,089</u>	<u>13,366,850</u>	<u>14,165,866</u>	<u>13,369,891</u>
Operating and Maintenance Expenses					
Personnel Services ⁽³⁾	1,359,227	1,856,131	2,272,568	2,392,611	2,316,305
Supplies, Materials and Services ⁽³⁾	2,590,222	1,781,622	2,882,547	3,014,227	2,139,014
New Treatment Plant Operations (net)					
Utilities	652,296	693,657	683,635	648,233	579,774
Administrative Overhead	1,060,122	1,060,120	1,060,120	780,000	780,000
Total O & M Expenses	<u>5,661,865</u>	<u>5,391,530</u>	<u>6,898,870</u>	<u>6,835,071</u>	<u>5,815,093</u>
Net Revenue Available for Debt Service	<u>8,389,712</u>	<u>7,883,559</u>	<u>6,467,980</u>	<u>7,330,795</u>	<u>7,554,798</u>
Debt Service					
1991 California DWR SRF loan ⁽⁴⁾	1,433,395				
2010 Bonds ⁽⁵⁾	849,968	2,304,811	2,335,360	2,355,230	2,356,141
Total Net Debt Service	<u>2,283,363</u>	<u>2,304,811</u>	<u>2,335,360</u>	<u>2,355,230</u>	<u>2,356,141</u>
Debt Service Coverage ⁽⁶⁾					
Debt Service Coverage	3.67	3.42	2.77	3.11	3.21
Debt Service Coverage (excluding impact mitigation fees)	3.67	3.37	2.77	3.09	3.20
Net Remaining Revenues Available for Capital Capital Improvement Projects	6,106,349	5,578,748	4,132,620	4,975,565	5,198,657
Meter Retrofit Program ⁽⁷⁾	919,555	6,325,558	6,536,687	6,891,350	4,841,932

Other Water System Improvements ⁽⁸⁾	3,666,202	540,832	1,144,363	380,675	267,902
Total Capital Improvement Projects	<u>4,585,757</u>	<u>6,866,390</u>	<u>7,681,050</u>	<u>7,272,025</u>	<u>5,109,834</u>
Net Change in Reserve Water Enterprise Fund ⁽⁹⁾	1,520,592	(1,287,639)	(3,548,520)	(2,296,460)	88,823
Beginning Cash Balance	14,120,605	12,807,412	12,465,350	9,044,659	7,027,567
Ending Cash Balance	12,807,412	12,465,350	9,044,659	7,027,567	6,755,522

- (1) Water sales reflect Council-adopted rate increases effective January 1, 2015.
- (2) Includes rent, sales of City property, discounts, water reimbursements, and damage to property, water tap fees, DBCP reimbursements, and other miscellaneous revenues. DBCP reimbursements are expected to decline beginning in Fiscal Year 2012-13 as new plant becomes operational and groundwater draws diminish. PCE/TCE litigation revenues are excluded from Fiscal year 2005-06 through 2009-10. Fiscal year 2009-10 reflects one-time adjustments from prior years.
- (3) PCE/TCE litigation expenses are excluded from Fiscal Year 2006-07 through Fiscal year 2010-11.
- (4) Debt service on 1991 Loan was paid off in full on October 1, 2010.
- (5) Reflects total debt service for the 2010 Water Revenue Bonds net of the 35% interest rate subsidy for the Series 2010B bonds.
- (6) Coverage calculated based on Net Revenues divided by net Debt Service and Net Revenues less mitigation fees divided by Net Debt Service.
- (7) Annual capital costs of transition to water meters. Program expected to be completed in Fiscal Year 2017-18.
- (8) Excludes costs of the Project to be funded from proceeds of the Series 2010 Bonds.
- (9) Water Enterprise Fund balance includes both operating and capital reserves and is presented on a cash basis. Cash position is expected to increase substantially upon completion of the water meter installation program.

Source: City of Lodi

CITY OF LODI, CALIFORNIA

Report to City Council

For the Year Ended June 30, 2015



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CITY OF LODI, CALIFORNIA
Report to City Council
For the Year Ended June 30, 2015

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City Council
City of Lodi, California

We have audited the financial statements of the governmental activities, the business-types activities, each major fund, and the aggregate remaining fund information of the City of Lodi, California (City), as of and for the year ended June 30, 2015, and have issued our report thereon dated February 3, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Audit Service Plan presented to you on September 29, 2015. Professional standards also require that we communicate to you the information related to our audit that is included in the Required Communications section of this report.

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) 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.

During our audit for the year ended June 30, 2015, we followed up on our recommendations to address conditions we identified during previous years' audits. The status of those recommendations is included in the Status of Prior Year Recommendations section of this report. This report does not affect our report dated February 3, 2016, on the basic financial statements of the City.

We also noted certain matters that we reported to management of the City of Lodi in a separate letter dated February 3, 2016.

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

We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. We have discussed our comments and suggestions with management and would be pleased to discuss them further.

Sacramento, California
February 3, 2016

CITY OF LODI, CALIFORNIA
Report to City Council
Required Communications
For the Year Ended June 30, 2015

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note (1) to the financial statements. As described in Note (1)(w) to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements address the accounting and financial reporting requirements for the City’s pension benefits. As of July 1, 2014, the City restated the beginning net position to record the beginning deferred outflows of resources related to pension contributions and net pension liability as follows:

	Governmental Activities	Business-Type Activities	Total
Net position - beginning, as previously reported	\$ 119,822,255	\$ 139,393,690	\$ 259,215,945
Change in accounting principles	(80,965,314)	(19,689,250)	(100,654,564)
Net Position - beginning, as restated	\$ 38,856,941	\$ 119,704,440	\$ 158,561,381

	Electric Fund	Wastewater Fund	Water Fund	Transit Fund	Internal Service Funds
Net position - beginning, as previously reported	\$ 4,560,430	\$ 58,608,905	\$ 57,086,278	\$ 19,138,077	\$ (291,199)
Change in accounting principles	(11,101,735)	(7,369,943)	(724,395)	(493,177)	(1,081,238)
Net Position - beginning, as restated	\$ (6,541,305)	\$ 51,238,962	\$ 56,361,883	\$ 18,644,900	\$ (1,372,437)

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

- The self-insurance liability is based on the development of amounts from various consultants’ actuarial studies.
- The pollution remediation obligation is based upon estimated cash flows determined by an engineering consultant’s remedial action plan.
- The actuarial pension data contained in Note (9) to the financial statements and required supplementary information (unaudited) is based on actuarial valuations performed in accordance with the parameters set forth in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

CITY OF LODI, CALIFORNIA
Report to City Council
Required Communications (Continued)
For the Year Ended June 30, 2015

- The actuarial data for other postemployment benefits contained in Note (10) to the financial statements and required supplementary information (unaudited) is based on actuarial calculations performed in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to each opinion unit's financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 3, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

CITY OF LODI, CALIFORNIA
Report to City Council
Required Communications (Continued)
For the Year Ended June 30, 2015

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedule of pension contributions, the schedule of funding progress for the OPEB plan, and the schedule of revenues, expenditures and change in fund balance – budget and actual – for the General Fund, which are 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 combining and individual fund statements and schedules and the schedule of expenditures of federal awards, 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.

We were not engaged to report on the introductory, statistical, and continuing disclosures sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on them.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations
For the Year Ended June 30, 2015

The following is a summary of the status of prior years' recommendations.

FROM YEAR ENDED JUNE 30, 2005

INFORMATION TECHNOLOGY (IT)

Computer Operations – Disaster Preparedness/Business Continuity Plans

Condition

The City currently has no disaster preparedness or business continuity plans in place.

Recommendation

The City should work to develop a comprehensive disaster preparedness and business continuity plan. The plan, upon completion, should be thoroughly tested and provisions made for periodic reviews of the plan.

Current Year Status

The City performs disaster recovery by utilizing Dell Appsure for local backups. The City just started utilizing AWS (Amazon Web Services) for off site hosting of backups off the Appsure.

The City developed a disaster preparedness plan in 2007, which defines the recovery process. But there is no evidence that the plan has been fully tested. Since 2007, much has changed with the City's information systems environment and, therefore the current plan is in need of an update. Therefore, our recommendation remains in the process of implementation.

Current Year Management Response

The City is working towards a new network architecture that will minimize the risk of network failure. Using distributed technology within the data center as well as distributed services on the City wide area network (WAN). Completion of the new architecture will occur by 2017.

CITY OF LODI, CALIFORNIA
Report to City Council
Status of Prior Year Recommendations (Continued)
For the Year Ended June 30, 2015

FROM YEAR ENDED JUNE 30, 2004

CAPITAL ASSETS

Condition

During our audit of the City's financial statements for the year ended June 30, 2004, we noted that the acquisition and construction of capital assets is maintained on a spreadsheet, outside of the City's accounting system, which can lead to inaccurate recording and depreciation of capital assets.

Recommendation

We recommend that the City place into operation the JDE fixed asset module that records the City's capital assets and automatically calculates depreciation. The system would support the City's depreciation method and automatically post accumulated depreciation expense to the General Ledger module for a specified accounting period.

The system provides methods to track assets, their beginning cost, current value, and method of depreciation. Some of the advantages include:

1. Flexible Asset Numbering System – an unlimited number of assets can be maintained. The assets can be grouped by many types of categories for reporting purposes.
2. User Defined Asset Control - Accumulated depreciation, depreciation expense and asset master accounts can be user specified for each asset.
3. Reports - variety of reports can be produced including a listing of all assets by type, category and description, method of depreciation, and all other information maintained in the master file. The module could be programmed to also print reports listing assets with original cost and current book value plus calculated depreciation for a specified period.

To reduce operating overhead, the City should consider hiring temporary staff for data entry into the capital assets module.

Current Year Status

The City has implemented a new financial system, which included a capital asset module. This module records the City's capital assets and automatically calculates depreciation. As such, the recommendation is considered implemented.

CITY OF LODI

Independent Accountant's Report on Applying
Agreed-Upon Procedures Related to the Article
XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2015



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**Independent Accountant’s Report on Applying Agreed-Upon
Procedures Related to the Article XIII-B
Appropriations Limit Calculation**

City Council
Lodi, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet of the City of Lodi, California (City) for the fiscal year ended June 30, 2015. These procedures, which were agreed to by City management and the California Committee on Municipal Accounting (as presented in its publication entitled *Agreed-Upon Procedures Applied to the Appropriations Limitations Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The City’s management is responsible for the Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish the City’s appropriations limit and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of this procedure.

2. For the accompanying Appropriations Limit Worksheet, we added the appropriations limit for the fiscal year ended June 30, 2014 to the annual adjustment amount, and compared the resulting amount to the appropriations limit for the fiscal year ended June 30, 2015.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet to the worksheets described in procedure No. 1 above.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the appropriations limit for the fiscal year ended June 30, 2014 presented in the accompanying Appropriations Limit Worksheet to the appropriations limit for the fiscal year ended June 30, 2014 adopted by the City Council.

Finding: No exceptions were noted as a result of this procedure.

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

This report is intended solely for the information and 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.

Macias Gini E' O'Connell LPA

Sacramento, California

February 9, 2016

**CITY OF LODI
APPROPRIATIONS LIMIT WORKSHEET
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Appropriation Limit for the fiscal year ended June 30, 2014, as adopted	<u>\$86,108,936</u>
Adjustment factors:	
Population factor, fiscal year ended June 30, 2015, as adopted	1.0066
Inflation factor, fiscal year ended June 30, 2015, as adopted	<u>0.9977</u>
Adjustment factor for the fiscal year ended June 30, 2015	<u>1.00428</u>
Annual adjustment	<u>368,961</u>
Appropriation Limit for the fiscal year ended June 30, 2015, as adopted	<u>\$86,477,897</u>



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolutions and Authorize Documents and Actions Regarding the Partial Advance Refunding of the 2007 Series A Wastewater Certificates of Participation (COPS).

- (a) Adopt Resolution of the City Council Authorizing Documents and Official Actions Relating to the Partial Refinancing of an Outstanding Payment Obligation that was Secured by the 2007 Series A Wastewater COPS Relating to the City's Wastewater System and the Issuance and Sale of Refunding Wastewater Revenue Bonds by the Lodi Public Financing Authority, and
- (b) Adopt Resolution of the Lodi Public Financing Authority Authorizing the Issuance and Sale of 2016 Refunding Wastewater Revenue Bonds to Partially Refinance an Installment Payment Obligation that was Secured by the 2007 Series A Wastewater COPS, and Approving Related Documents and Official Actions

MEETING DATE: February 17, 2016

PREPARED BY: Deputy City Manager and City Attorney

RECOMMENDED ACTION: Adopt Resolutions of the City Council and the Lodi Public Financing Authority approving the partial refinancing of an outstanding payment obligation that was secured by the 2007 Series A Wastewater COPS ("2007 COPS"), and the issuance and sale of refunding wastewater revenue bonds in an amount not to exceed \$23.1 million in order to secure market interest savings.

BACKGROUND INFORMATION: The City previously caused execution and delivery of its 2007 COPS to refinance existing debt associated with the construction of improvements and to construct additional improvements to the White Slough Water Pollution Control Facility.

Favorable market conditions have reduced prevailing interest rates and made it attractive for the City to partially advance refund the 2007 COPS by the issuance and sale of refunding wastewater revenue bonds. A full tax-exempt refunding is not possible at this time because of federal tax regulations that limit "advance refunding" (an advance refunding is a refunding where the refunding bonds will pay off the refunded bonds more than 90 days after the refunding bonds are issued). Staff will continue to monitor the capital markets and bring forward a refinancing plan for the remaining 2007 COPS at the appropriate time.

APPROVED:


Stephen Schwabauer, City Manager

SUMMARY OF DOCUMENTS: In order to complete the refinancing, the City and the Lodi Public Financing Authority (“PFA”) are required to approve and execute several key legal documents. The key documents are summarized below.

Resolutions: The Resolutions of the City and the PFA approve the issuance of the proposed bonds, the execution of the proposed legal documents, and the distribution of the Official Statement to investors. While the documents are in near-to-final form, the Resolutions authorize certain officers of the City and the PFA to make amendments, as necessary. The Resolutions specify the maximum principal amount for the bonds, maximum borrowing cost, and maximum underwriter's discount.

Official Statement: The Preliminary Official Statement, approved and signed by the City and PFA, most importantly describes (i) the term of the 2016 Refunding Wastewater Revenue Bonds (the “bonds”), (ii) the security for the bonds, (iii) the refinancing plan, (iv) the City's Wastewater System, which is the source of repayment for the bonds, (v) potential risks to prospective investors (“RISK FACTORS”), (vi) tax status of interest on the bonds (“TAX MATTERS”) and (vii) economic and demographic characteristics of the City (Appendix A). The Preliminary Official Statement (often referred to as the “POS”) is distributed by the underwriter to prospective investors prior to the bond sale so that investors can make informed purchase decisions. The POS is the equivalent of a prospectus in the private sector. The Final Official Statement is sent to purchasers after the terms of the sale are finalized.

The distribution of a POS is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the POS to include all facts that would be material to an investor considering a purchase of the bonds. Material information is information that there is a substantial likelihood that a reasonable investor would consider important in deciding whether to buy or sell bonds. Materiality is determined in the context of all facts and circumstances.

The Securities and Exchange Commission (the “SEC”), the agency with regulatory authority over the City and the PFA's compliance with the federal securities laws, has issued guidance as to the duties of the City Council and the PFA's Board of Directors with respect to their approval of the POS. In its “Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors” (Release No. 36761 / January 24, 1996) (the “Release”), the SEC stated that, if a member of the City Council/Board of Directors has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the POS. In the Release, the SEC stated that the steps that a member of the City Council/Board of Directors could take include becoming familiar with the POS and questioning staff and consultants about the disclosure of such facts.

Continuing Disclosure Certificate: The Continuing Disclosure Certificate, attached as an appendix to the Official Statement, obligates the City to provide updated information to the bond markets on an ongoing basis. Disclosure is required annually, and on an exceptional basis for any major “material” developments.

Bond Purchase Contract: The Bond Purchase Contract is executed among the City, the PFA and the underwriter on the day of the bond sale. It specifies the actual principal amounts, interest rates, and prices at which the bonds will be sold. Within the contract, the underwriter commits to purchase the bonds at closing and the PFA commits to sell the bonds at the agreed upon prices and amounts subject to certain closing conditions. Closing conditions generally relate to the execution and validity of all the required documents and the absence of material changes in the nature of the security, etc.

Installment Purchase Agreement: The bonds will be payable from installment payments made by the City to the PFA under an Installment Purchase Agreement. The scheduled installment payments will

be equal in amount to debt service on the bonds. The Installment Purchase Agreement documents the key financial obligations of the Wastewater System, which are consistent with existing obligations of the Wastewater System related to the outstanding 2004, 2007 and 2012 bonds. The PFA assigns its right to receive these installment payments to the trustee for the bonds pursuant to the Indenture of Trust described below.

The Installment Purchase Agreement will specify:

- the net revenues of the Wastewater System specifically pledged to the installment payments (the City is not obligated to make the installment payments from any other City funds);
- the uses of the Wastewater System's gross revenues: briefly, gross revenues are first used to pay operation and maintenance expenses and then to pay the installment payments, similar 2004, 2007 and 2012 installment payment obligations, and any future Wastewater System debt;
- the promise of the City to charge sufficient rates to Wastewater System customers to pay operation and maintenance expenses, the 2004/2007/2012/2016 bond installment payments and any future debt with a sufficient coverage cushion (the "rate covenant"); and
- the terms under which additional Wastewater System debt can be issued to finance additional capital improvements to the Wastewater System.

Indenture of Trust: The Indenture of Trust is the legal document between the PFA and a corporate bank (as trustee for the bond owners; in this case, MUFG Union Bank, N.A.) that lays out the terms of the bonds. It will specify:

- the payment dates and maturities of the bonds;
- the pledge of installment sale revenues to the bonds;
- the default and remedy provisions (in the event the City failed to make the installment payments under the Installment Purchase Agreement); and
- redemption and defeasance provisions, in the event that interest rates allow the City to refinance these bonds in the future.

In general, the PFA is a conduit for the installment payments paid by the City to the bond owners. The PFA has no obligation to pay debt service on the bonds from any source of funds other than the installment payments made by the City. The source of funds for the installment payments is the Wastewater System net revenues (i.e., wastewater revenues remaining after payment of Wastewater System operations and maintenance expenses).

Escrow Deposit and Trust Agreement: The Escrow Deposit and Trust Agreement is the agreement between the City and the trustee for the 2007 COPS that documents the deposit, investment, and application of funds to refinance the portion of the 2007 Certificates that are being refunded.

FISCAL IMPACT: The estimated net present value savings (i.e., after deducting the costs of the refinancing) for this refinancing is approximately \$3.5 million for the Wastewater Fund.

FUNDING AVAILABLE: The debt service for this refinancing is, by definition, already provided for in the City's budget, albeit at higher interest rates.


Jordan Ayers
Deputy City Manager/Internal Services Director


Janice D. Magdich
City Attorney

Attachments: Draft City Council Resolution and Exhibits
Draft Lodi Public Financing Authority Resolution and Exhibits
Draft Opinion Letter of Jones Hall (Bond Counsel)
Draft Continuing Disclosure Certificate

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
DOCUMENTS AND OFFICIAL ACTIONS RELATING TO THE
REFINANCING OF AN OUTSTANDING INSTALLMENT PAYMENT
OBLIGATION OF THE CITY OF LODI RELATING TO ITS
WASTEWATER SYSTEM AND THE ISSUANCE AND SALE OF
REFUNDING WASTEWATER REVENUE BONDS BY THE LODI
PUBLIC FINANCING AUTHORITY

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WHEREAS, the City of Lodi (the "City") owns and operates facilities and property for the collection, treatment and disposal of wastewater within the service area of the City (the "System"); and

WHEREAS, the City previously entered into an Installment Purchase Agreement, dated as of December 1, 2007 (the "2007 Installment Purchase Agreement") with the Lodi Public Improvement Corporation (the "Corporation"), pursuant to which the City agreed to make certain installment payments in the aggregate principal amount of \$30,320,000 (the "2007 Installment Payments"), and caused execution and delivery of Wastewater System Revenue Certificates of Participation, 2007 Series A (the "2007 Certificates"), pursuant to a Trust Agreement, dated as of December 1, 2007 (the "2007 Trust Agreement"), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "2007 Trustee"), all for the purpose of (i) financing the costs of certain improvements to the System (the "2007 Improvements") and (ii) refinancing, on a current basis, all outstanding installment payments under an Installment Sale Agreement, dated as of December 1, 1991, with the Corporation, and certain outstanding Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project) (the "1991 Certificates"); and

WHEREAS, the 1991 Certificates were executed and delivered to (i) finance certain capital improvements to the System (the "1991 Improvements") and (ii) prepay, on an advance basis, certain certificates of participation that were executed and delivered to finance the expansion of the City's White Slough Water Pollution Control Facility; and

WHEREAS, under current economic conditions, it is possible for the City to refinance on a tax-exempt basis the portion of the 2007 Installment Payments attributable to the financing of the 2007 Improvements and the 1991 Improvements (the "Refinanced 2007 Installment Payments") for the purpose of achieving savings for the benefit of the customers of the System, and to cause an advance prepayment of the related 2007 Certificates (the "Refunded 2007 Certificates of Participation"); and

WHEREAS, in order to provide funds to refinance the Refinanced 2007 Installment Payments and cause an advance prepayment of the Refunded 2007 Certificates, the City wishes to ask the Lodi Public Financing Authority (the "Authority") to issue its 2016 Refunding Wastewater Revenue Bonds (the "Bonds") under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, in order to provide revenues which are sufficient to pay debt service on the Bonds, the City proposes to enter into an Installment Purchase Agreement with the Authority; and

WHEREAS, the obligations of the City under the proposed Installment Purchase Agreement will be secured by a pledge of and lien on the net revenues of the System, on a

parity with a pledge of and lien on the net revenues securing a 2004 installment payment obligation, the continuing obligation to pay the portion of the 2007 Installment Payments that is not being refunded and a 2012 installment payment obligation; and

WHEREAS, the City Council wishes at this time to take action approving such financing transactions and all related documents and actions.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lodi as follows:

Section 1. Approval of Refinancing Plan; Authorization of Bonds. The City Council hereby approves the refinancing plan described in the recitals of this Resolution. To that end, the City Council hereby approves the issuance of the Bonds by the Authority under the Bond Law in the aggregate principal amount of not to exceed \$23,100,000.

Section 2. Approval of Installment Purchase Agreement. The City Council hereby approves the Installment Purchase Agreement between the Authority and the City.

The Installment Purchase Agreement is hereby approved in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the City Manager, the Deputy City Manager/Internal Services Director or the City Attorney (each, an "Authorized Officer"). An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Installment Purchase Agreement, and such execution shall be conclusive evidence of the approval of the final form thereof.

Section 3. Approval of Escrow Deposit and Agreement. The City Council hereby approves an Escrow Deposit and Trust Agreement between the City and the 2007 Trustee, as escrow bank, providing for the deposit, investment and application of funds to refinance the Refinanced 2007 Installment Payments and defease and prepay the Refunded 2007 Certificates. The Escrow Deposit and Trust Agreement is hereby approved in substantially the form attached hereto as Exhibit A, together with any changes therein or additions thereto deemed advisable by an Authorized Officer. An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, the final form of the Escrow Deposit and Trust Agreement, and such execution shall be conclusive evidence of the approval of the final form thereof.

Section 4. Sale of Bonds; Approval of Bond Purchase Agreement. The City Council hereby approves the negotiated sale of the Bonds by the Authority to JP Morgan Securities LLC (the "Underwriter"). The Bonds shall be sold pursuant to the terms and provisions of a Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The Refunding Bonds shall be sold at such price and shall bear interest at such rates as shall produce a minimum net present value savings to the City of at least 5% of the principal component of the Refinanced 2007 Installment Payments, as such savings shall be verified and conclusively determined by the City's financial advisor (the "Minimum Savings Requirement"). The Underwriter's discount shall not exceed 1.0%. The final form of the Bond Purchase Agreement shall be executed in the name and on behalf of the City by an Authorized Officer.

Section 5. Official Statement; Continuing Disclosure Certificate. The City Council hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Bonds in the form attached hereto as Exhibit B, together with such modifications thereof as may be approved by an Authorized Officer. An Authorized Officer is hereby authorized and directed to (a) execute

and deliver to the purchaser of the Bonds a certificate deeming the Preliminary Official Statement to be nearly final as of its date within the meaning of such Rule, (b) approve any changes in or additions to cause the Official Statement to be put in final form, and (c) execute the final Official Statement for and in the name and on behalf of the City. The City Council hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement by the Underwriter.

The City Council hereby approves execution by an Authorized Officer of a Continuing Disclosure Certificate in substantially the form attached as an appendix to the Preliminary Official Statement.

Section 6. Official Actions. The Mayor, the City Manager, the Deputy City Manager/Internal Services Director, the City Clerk, the City Attorney and all other officers of the City are each authorized and directed in the name and on behalf of the City to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including any documentation relating to municipal bond insurance if an Authorized Officer concludes, after consultation with the City's bond counsel, the City's financial advisor and the Underwriter, that it would be cost-effective to purchase such insurance. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer is absent or unavailable.

Section 7. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

Dated: February 17, 2016

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I hereby certify that Resolution No. 2016-____ was passed and adopted by the City Council of the City of Lodi in a regular/special joint meeting held February 17, 2016, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS -

JENNIFER M. FERRAILOLO
City Clerk

2016-_____

EXHIBIT A

FORM OF ESCROW DEPOSIT AND TRUST AGREEMENT

ESCROW DEPOSIT AND TRUST AGREEMENT

Relating to

\$30,320,000
Wastewater System Revenue
Certificates of Participation,
2007 Series A

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "**Agreement**"), dated as of March 1, 2016, is between the CITY OF LODI, a general law city and municipal corporation organized and existing under the Constitution and laws of the State of California (the "**City**"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, acting as escrow agent for the 2007 Certificates described below (the "**Escrow Agent**") and as trustee (the "**2007 Trustee**") for the 2007 Certificates.

B A C K G R O U N D :

1. The City previously entered into an Installment Purchase Agreement, dated as of December 1, 2007 (the "**2007 Installment Purchase Agreement**") with the Lodi Public Improvement Corporation (the "**Corporation**"), pursuant to which the City agreed to make certain installment payments in the aggregate principal amount of \$30,320,000 (the "**2007 Installment Payments**") and caused execution and delivery of Wastewater System Revenue Certificates of Participation, 2007 Series A (the "**2007 Certificates**"), pursuant to a Trust Agreement, dated as of December 1, 2007 (the "**2007 Trust Agreement**"), between the Corporation and the 2007 Trustee, all for the purpose of (i) financing the costs of certain improvements to the City's wastewater (the "**2007 Project**") and (ii) refinancing, on a current basis, all outstanding installment payments under an Installment Sale Agreement, dated as of December 1, 1991, with the Corporation, and certain outstanding Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project) (the "**1991 Certificates**"). The 1991 Certificates were executed and delivered to (i) finance certain capital improvements to the System (the "**1991 Improvements**") and (ii) prepay, on an advance basis, certain certificates of participation that were executed and delivered to finance the expansion of the City's White Slough Water Pollution Control Facility (the "**White Slough Certificates**").

2. In order to take advantage of prevailing bond market conditions, the City wishes to refinance a portion of the 2007 Certificates, specifically the portion of the 2007 Installment Payments and the 2007 Certificates, respectively, that are attributable to the financing of the 2007 Project and the 1991 Improvements. The City is not refinancing the portion of the 2007 Installment Payments and the 2007 Certificates that are attributable to the White Slough Certificates.

3. For the purpose of refinancing all of the outstanding 2007 Certificates specified on Attachment 1 hereto (the "**Refunded 2007 Certificates**") and the related 2007 Installment Payments (the "**Refinanced 2007 Installment Payments**"), the City has proposed to sell the 2007 Project to the Lodi Public Financing Authority (the

“**Authority**”) and the Authority will sell the 2007 Project back to the City (subject to the continuing obligation of the City under the 2007 Installment Purchase Agreement).

4. In order to refinance the Refinanced 2007 Installment Payments, the Authority proposes to issue and sell its Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds (the “**Refunding Bonds**”), pursuant to an Indenture of Trust, dated as of March 1, 2016 (the “**Refunding Bonds Indenture**”),

5. The City wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment in full of the Refinanced 2007 Installment Payments and the payment in full of the principal and interest and premium (if any) with respect to the outstanding Refunded 2007 Certificates, and to provide certain directions to the 2007 Trustee with respect to the Refunded 2007 Certificates.

6. As a result of the deposit and investment of funds in accordance with this Agreement, the Refinanced 2007 Installment Payments will be deemed paid and prepaid under Section 7.1 and Section 9.1 of the 2007 Installment Purchase Agreement, and the Refunded 2007 Certificates will be discharged and defeased in accordance with the provisions of Section 9.01 of the 2007 Trust Agreement and prepaid in accordance with the provisions of Section 2.04 of the 2007 Trust Agreement.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the City and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank and 2007 Trustee, hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The City hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to defease and prepay the Refunded 2007 Certificates in accordance with the 2007 Trust Agreement. The Escrow Agent is directed to establish an escrow fund (the “**Escrow Fund**”) to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the Refinanced 2007 Installment Payments and the Refunded 2007 Certificates as set forth below. All cash and securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the Refinanced 2007 Installment Payments in accordance with the 2007 Installment Purchase Agreement and the payment of the principal of and interest and premium (if any) with respect to the Refunded 2007 Certificates in accordance with the 2007 Trust Agreement.

If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the Refunded 2007 Certificates, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit and Investment of Amounts in Escrow Fund.* On March 10, 2016 (the “**Closing Date**”), the Authority, pursuant to the Refunding Bonds Indenture, will cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the

amount of \$_____ in immediately available funds, to be derived from the proceeds of the Refunding Bonds.

In addition, the City hereby directs the 2007 Trustee to transfer to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____, to be derived from moneys related to the Refunded 2007 Certificates that are available as a result of the defeasance of the Refunded 2007 Certificates.

On the Closing Date, the Escrow Agent shall invest \$_____ of the amounts deposited in the Escrow Fund in the federal securities listed on Exhibit A; the federal securities listed on Exhibit A are "Defeasance Securities" as defined in the 2007 Trust Agreement. The Escrow Agent shall hold the remaining \$_____ in cash, uninvested.

SECTION 3. *Application of Amounts in Escrow Fund.* The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the 2007 Trustee an amount required to pay the principal of and interest and prepayment premium (if any) on the Refunded 2007 Certificates, in accordance with the schedule attached as Exhibit B hereto, which payment shall also constitute payment of the Refinanced 2007 Installment Payments.

Following the payment and prepayment of the Refinanced 2007 Installment Payments and the Refunded 2007 Certificates in full, the Escrow Bank shall transfer any amounts remaining on deposit in the Escrow Fund to MUFG Union Bank, N.A., as trustee for the Refunding Bonds, for deposit in the Bond Fund established under the Refunding Bonds Indenture, to be applied to pay interest next coming due and payable on the Refunding Bonds.

SECTION 4. *Irrevocable Election to Prepay Refunded 2007 Certificates; Defeasance Notice.* The City has irrevocably elected to pay and prepay all of the unpaid Refinanced 2007 Installment Payments and all of the outstanding Refunded 2007 Certificates on the date set forth in Exhibit B, in accordance with the provisions of the 2007 Trust Agreement. The City hereby directs the 2007 Trustee to give notice of the prepayment of the Refunded 2007 Certificates in accordance with the requirements of the 2007 Trust Agreement, at the expense of the City, using the form set forth in Exhibit C.

The City further hereby directs the 2007 Trustee to file on the Closing Date the notice attached as Exhibit D on the Municipal Securities Rulemaking Board's EMMA system.

SECTION 5. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

SECTION 6. *Immunities and Liability of Escrow Bank.* The Escrow Bank undertakes to perform only such duties as are expressly set forth in this Agreement and

no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Bank. The Escrow Bank shall not have any liability hereunder except to the extent of its negligence or willful misconduct. In no event shall the Escrow Bank be liable for any special, indirect or consequential damages. The Escrow Bank shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Bank may consult with legal counsel of its own choice and the Escrow Bank shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Bank shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal, interest and prepayment premium with respect to the Refunded 2007 Certificates.

Whenever in the administration of this Agreement the Escrow Bank deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the City and shall be full protection for any action taken or not taken by the Escrow Bank in good faith reliance thereon.

The Escrow Bank may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Bank in connection with this Agreement and believed by the Escrow Bank to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care.

The Escrow Bank may at any time resign by giving 30 days written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Bank from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to the resigning Escrow Bank and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Bank may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Bank shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Bank shall be the successor of the Escrow Bank hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is

required by law to effect such succession, anything herein to the contrary notwithstanding.

The City shall indemnify, defend and hold harmless the Escrow Bank and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Bank for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Bank directly or indirectly relating to, or arising from, claims against the Escrow Bank by reason of its participation in the transactions contemplated hereby except to the extent caused by the Escrow Bank's negligence or willful misconduct. The provisions of the foregoing sentence shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Bank.

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail (provided, that for purposes of this Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder), facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 7. *Termination of Agreement.* Upon payment in full of the principal of and interest and prepayment premium on the Refunded 2007 Certificates and all fees, expense and charges of the Escrow Bank as described above, this Agreement shall terminate and the Escrow Bank shall be discharged from any further obligation or responsibility hereunder.

SECTION 8. *Execution in Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITY OF LODI

By: _____
City Manager

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.**, as Escrow
Agent and as 2007 Trustee

By _____
Authorized Officer

ATTACHMENT 1

REFUNDED 2007 CERTIFICATES

Maturity Date	Outstanding Principal	Interest Rate	Principal Amount Refunded	CUSIP No.

EXHIBIT A
ESCROW SECURITIES

Type of Security	Purchase Date	Maturity Date	First Int Pmt Date	Par Amount	Rate	Purchase Price
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EXHIBIT B
ESCROW REQUIREMENTS

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Prepaid Principal</u>	<u>Principal Redeemed</u>	<u>Prepayment Premium</u>	<u>Total Payment</u>
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EXHIBIT C

FORM OF NOTICE OF PREPAYMENT

**\$30,320,000
Wastewater System Revenue
Certificates of Participation,
2007 Series A**

NOTICE IS HEREBY GIVEN, by the City of Lodi (the "City") that certain maturities of the captioned certificates of participation (the "Refunded 2007 Certificates") have been defeased and discharged under and within the meaning of the Trust Agreement, dated as of December 1, 2007, relating to the Refunded 2007 Certificates (the "2007 Trust Agreement"), and that the City has irrevocably elected to prepay the outstanding Refunded 2007 Certificates on October 1, 2017, at a prepayment price equal to the par amount thereof together with accrued interest thereon to the prepayment date, without premium. The _____ maturity of the captioned certificates of participation will remain outstanding.

The Refunded 2007 Certificates consist of the following:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
<u>October 1</u>			

Funds for the payment of the Refunded 2007 Certificates have been deposited with The Bank of New York Mellon Trust Company, N.A., as escrow bank, and the sufficiency of the funds and investments for the purpose of paying the principal of and interest on the Refunded 2007 Certificates has been verified by The Arbitrage Group, certified public accountants.

Additional information regarding the foregoing actions may be obtained from contacting The Bank of New York Mellon Trust Company, N.A., [address to come] or by fax at [fax number to come].

Payment of interest on the Refunded 2007 Certificates shall be made by check or, at the option of any owner of at least \$1,000,000 aggregate principal amount of Refunded 2007 Certificates, by wire transfer to a bank account in the United States of America. The principal and premium (if any) payable will be payable by check upon

surrender of the Refunded 2007 Certificates at the Principal Office of The Bank of New York Mellon Trust Company, N.A., [address to come] or by fax at [fax number to come].

Dated: March __, 2016

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

EXHIBIT D

FORM OF NOTICE OF DEFEASANCE

**\$30,320,000
Wastewater System Revenue
Certificates of Participation,
2007 Series A**

NOTICE IS HEREBY GIVEN, by the City of Lodi (the "City") that certain maturities of the captioned certificates of participation (the "Refunded 2007 Certificates") have been defeased and discharged under and within the meaning of the Trust Agreement, dated as of December 1, 2007, relating to the Refunded 2007 Certificates (the "2007 Trust Agreement"). Funds for the payment of the Refunded 2007 Certificates have been deposited with The Bank of New York Mellon Trust Company, N.A., as escrow bank, and the sufficiency of the funds and investments for the purpose of paying the principal of and interest on the Refunded 2007 Certificates has been verified by The Arbitrage Group, certified public accountants.

As a consequence of the foregoing actions and in accordance with the 2007 Trust Agreement, all obligations of The Bank of New York Mellon Trust Company, N.A., as trustee for the Refunded 2007 Certificates, the Lodi Public Improvement Corporation and the City with respect to the Refunded 2007 Certificates has ceased and terminated, except the obligation to use moneys set aside in escrow as described above and, if necessary, from other legally available funds of the City.

The outstanding Refunded 2007 Certificates consist of the following:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
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The City has irrevocably elected to prepay all of the outstanding Refunded 2007 Certificates on October 1, 2017, at a prepayment price equal to the par amount thereof together with accrued interest thereon to the prepayment date, without premium.

Additional information regarding the foregoing actions may be obtained from contacting The Bank of New York Mellon Trust Company, N.A., [address to come] or by fax at [fax number to come].

Dated: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

EXHIBIT B

FORM OF PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2016

NEW ISSUE - FULL BOOK-ENTRY

RATINGS: Fitch: “__”
Standard & Poor’s: “__”
See “Ratings”.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *

LODI PUBLIC FINANCING AUTHORITY
2016 REFUNDING WASTEWATER REVENUE BONDS, SERIES A

Dated: Date of Delivery

Due: October 1, as shown on inside cover

Authority for Issuance. The 2016 Refunding Wastewater Revenue Bonds, Series A (the “2016 Bonds”) are being issued by the City of Lodi Public Financing Authority (the “Authority”) under a resolution adopted by the Board of Directors of the Authority on February __, 2016, and an Indenture of Trust dated as of March 1, 2016 (the “Indenture”) by and between the Authority and Union Bank, N.A., as trustee for the 2016 Bonds (the “Trustee”). See “THE 2016 BONDS - Authority for Issuance.”

Use of Proceeds. The proceeds of the 2016 Bonds will be used to (i) refinance \$ _____ principal amount of City of Lodi (the “City”) Wastewater System Revenue Certificates of Participation, 2007 Series A (such amount refinanced constituting the “Refunded Certificates”) and the corresponding portion of the related installment payment obligation of the City; and (ii) pay the costs of issuing the 2016 Bonds. See “THE REFINANCING PLAN.”

Security for the 2016 Bonds. Under the Indenture, the 2016 Bonds will be payable solely from and secured by Authority Revenues and certain funds and accounts held under the Indenture. Authority Revenues consist primarily of installment payments (“2016 Installment Payments”) to be made by the City pursuant to an Installment Purchase Agreement dated as of March 1, 2016 (the “2016 Installment Purchase Agreement”). The obligation of the City to make the 2016 Installment Payments is a special obligation of the City that is secured by a pledge of, and payable solely from, System Net Revenues relating to the City’s wastewater collection and treatment system (the “System”). The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the 2016 Installment Payments.

The pledge of System Net Revenues to the 2016 Installment Payments is on a parity with the pledge of System Net Revenues to certain other outstanding obligations, which will be outstanding in the principal amount of \$ _____ following defeasance of the Refunded Certificates with proceeds of the 2016 Bonds (the “Existing Parity Obligations”). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS - Outstanding Parity Obligations”. The City is also authorized under the 2016 Installment Purchase Agreement to incur other obligations payable from System Net Revenues on a parity with the 2016 Installment Payments and the Existing Parity Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS” and “THE SYSTEM.”

Bond Terms; Book-Entry Only. The 2016 Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2016, and will be issued in fully-registered form without coupons in integral multiples of \$5,000. The 2016 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of the 2016 Bonds will not receive certificates representing their interests in the 2016 Bonds. Payments of the principal of, premium, if any, and interest on the 2016 Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2016 Bonds. See “THE 2016 BONDS - General Provisions.”

Redemption. The 2016 Bonds are subject to redemption prior to maturity. See “THE 2016 BONDS - Redemption.”

NEITHER THE 2016 BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE 2016 BONDS, CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2016 BONDS ARE SECURED SOLELY BY THE PLEDGE OF AUTHORITY REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2016 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF 2016 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2016 BONDS.

The 2016 Bonds are offered when, as and if issued and received by the Underwriters and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California. It is anticipated that the 2016 Bonds will be delivered in book-entry form through the facilities of DTC on or about March __, 2016.

J.P. Morgan

The date of this Official Statement is: February __, 2016.

* Preliminary; subject to change.

MATURITY SCHEDULE
(Base CUSIP†: _____)

<u>Maturity Date</u> (October 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP†</u>
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**LODI PUBLIC FINANCING AUTHORITY
CITY OF LODI**

AUTHORITY BOARD/CITY COUNCIL

Mark Chandler, Mayor/Chair
Doug Kuehne, Mayor Pro Tem/Vice-Chair
Bob Johnson, Councilmember/ Member
JoAnne Mounce, Councilmember/Member
Alan Nakanishi, Councilmember/Member

AUTHORITY/CITY OFFICIALS

Stephen Schwabauer, City Manager/Executive Director
Jordan Ayers, Deputy City Manager/Treasurer
Jennifer M. Ferraiolo, City Clerk/Secretary
Janice D. Magdich, City Attorney/Authority Counsel

BOND COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Lamont Financial Services Corporation
Los Angeles, California

TRUSTEE

Union Bank, N.A.
San Francisco, California

ESCROW BANK

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

VERIFICATION AGENT

The Arbitrage Group, Inc.
Houston, Texas

No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriters to give any information or to make any representations in connection with the offer or sale of the 2016 Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2016 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the 2016 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the Authority and the City and from other sources that the Authority and the City believe to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the 2016 Bonds, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2016 Bonds to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The 2016 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2016 Bonds have not been registered or qualified under the securities laws of any state.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in "THE SYSTEM" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Authority nor the City plans to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2016 Bonds.

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OFFICIAL STATEMENT
§ _____
LODI PUBLIC FINANCING AUTHORITY
2016 REFUNDING WASTEWATER REVENUE BONDS, SERIES A

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX C - Summary of Principal Legal Documents.”

Authority for Issuance. The Lodi Public Financing Authority (the “Authority”) is issuing its 2016 Refunding Wastewater Revenue Bonds (the “2016 Bonds”) under the following legal authority:

(i) Articles 10 and 11 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 6584 (the “Bond Law”),

(ii) a resolution adopted by the Board of Directors (the “Board”) of the Authority on February 17, 2016 (the “Authority Resolution”), and a resolution adopted by the City Council (the “City Council”) of the City of Lodi (the “City”) on February 17, 2016 (the “City Resolution”), and

(iii) an Indenture of Trust (the “Indenture”), dated as of March 1, 2016, by and between the Authority and Union Bank, N.A., as trustee (the “Trustee”).

Form of Bonds; Book-Entry Only. The 2016 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee, which will act as securities depository for the 2016 Bonds. Purchasers of the 2016 Bonds will not receive certificates representing the 2016 Bonds that are purchased. See “THE 2016 BONDS - Book-Entry Only System” and “APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Purpose of the 2016 Bonds. The 2016 Bonds are being issued to provide funds to (i) refinance \$21,415,000* principal amount of the City’s Wastewater System Revenue Certificates of Participation, 2007 Series A (such amount being refinanced constituting the “Refunded Certificates”) and a related installment payment obligation of the City; and (ii) pay the costs of issuing the 2016 Bonds.

Security for the 2016 Bonds. Under the Indenture, the 2016 Bonds will be payable solely from and secured by Authority Revenues and certain funds and accounts held under the Indenture. Authority Revenues consist primarily of installment payments (“Installment Payments”) to be made by the City pursuant to an Installment Purchase Agreement dated as of March 1, 2016 (the “2016 Installment Purchase Agreement”). The obligation of the City to make the 2016 Installment

* Preliminary; subject to change.

Payments is a special obligation of the City that is secured by a pledge of and payable solely from System Net Revenues. The general fund of the City is not liable for, and neither the faith and credit nor the taxing power of the City is pledged to, the payment of the 2016 Installment Payments.

The obligation of the City to make the 2016 Installment Payments does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Existing Parity Obligations. The City's pledge of System Net Revenues to the 2016 Installment Payments is on a parity with the City's pledge of System Net Revenues to certain outstanding obligations (the 2004 Installment Payments, the 2007 Installment Payments and the 2012 Installment Payments, as defined below), which are outstanding in the aggregate principal amount of \$ _____ as of March 1, 2016 (the "Existing Parity Obligations"). See "THE FINANCING PLAN" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS - Outstanding Parity Obligations".

Additional Parity Obligations. The City may incur additional obligations payable from and secured by the System Net Revenues on parity with the 2016 Installment Payments and the Existing Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS - Additional Parity Debt".

Parity Debt. The Existing Parity Obligations, the 2016 Installment Payments and any future Parity Obligations are referred to as Parity Debt in this Official Statement.

No Reserve Account. No debt service reserve account has been established with respect to the 2016 Bonds.

Rate Covenant

The City covenants in the 2016 Installment Purchase Agreement that it will, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the City's wastewater collection and treatment system (the "System") for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 110% of the Annual Debt Service on all Parity Debt in such Fiscal Year; provided, an adjustment will be made to the amount of System Net Revenues for amounts deposited into or withdrawn from the Rate Stabilization Fund; provided that, for purposes of such calculation, the amount of System Net Revenues before any credits for transfers from the Rate Stabilization Fund to the System Revenue Fund may not be less than 100% of Annual Debt Service for such Fiscal Year. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS— Rate Covenant".

NEITHER THE 2016 BONDS NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST ON THE 2016 BONDS CONSTITUTES A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE 2016 BONDS ARE SECURED SOLELY BY THE PLEDGE OF AUTHORITY REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2016 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY. THE AUTHORITY HAS NO TAXING POWER.

Continuing Disclosure

The City has covenanted for the benefit of the Owners and beneficial owners of the 2016 Bonds to provide certain financial information and operating data relating to the City and the System annually, and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE”.

Other Matters

The summaries of and references to documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined in this Official Statement indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See “APPENDIX C - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS”.

THE REFINANCING PLAN

The 2016 Bonds are being issued to provide funds to (i) refinance the Refunded Certificates and the corresponding portion of the related installment payment obligation of the City, and (ii) pay the costs of issuing the 2016 Bonds.

The Refunded Certificates were executed and delivered for the purpose of (i) financing certain additions, betterments, extensions, replacements and improvements to the System (ii) funding a debt service reserve account for the Refunded Certificates and (iii) paying the costs of execution and delivery of the Refunded Certificates. The Refunded Certificates are expected to consist of the amounts set forth in the following table. The specific maturities and amounts will be determined by the District at the time of sale of the 2016 Bonds.

Wastewater System Revenue Certificates of Participation, 2007 Series A

<i>Maturity Date (October 1)</i>	<i>Outstanding Principal Amount</i>	<i>Refunding Amount*</i>	<i>CUSIP Number[†]</i>
2018	\$185,000	\$135,000	540279BG0
2019	185,000	135,000	540279BH8
2020	200,000	145,000	540279BJ4
2021	215,000	155,000	540279BK1
2022	230,000	170,000	540279BL9
2023	240,000	175,000	540279BM7
2024	630,000	465,000	540279BN5
2025	2,835,000	2,100,000	540279BP0
2026	2,980,000	2,205,000	540279BQ8
2032	10,150,000	7,505,000	540279BR6
2037	<u>11,120,000</u>	<u>8,225,000</u>	540279BS4
Total	\$28,970,000	\$21,415,000	

Upon the execution and delivery of the Bonds, a portion of the proceeds and available moneys from the Refunded Certificates shall be applied to the purchase of certain direct obligations of the United States of America, which, along with uninvested cash and earnings on the obligations, will satisfy the City's payment obligations with respect to the Refunded Certificates until their payment or prepayment dates. These direct obligations and uninvested cash shall be deposited in an escrow account held by The Bank of New York Mellon Trust Company, N.A., as escrow agent for the Refunded Certificates (the "Escrow Agent") under an escrow agreement (the "Escrow Agreement").

The obligations of the United States of America so deposited with the Escrow Agent into the escrow account for the Refunded Certificates will bear interest at such rates and will be scheduled to mature at such times and in such amounts that, when paid in accordance with their terms, together with any other funds held by the Escrow Agent under the Escrow Agreement, will be sufficient to make full and timely payment of the principal of and interest evidenced and represented by the Refunded Certificates prior to October 1, 2017 and to pay the prepayment price of the outstanding Refunded Certificates on such date. For information on mathematical verification for the sufficiency of scheduled payments with respect to such obligations of the United States of America and other funds held by the Escrow Agent to make such payments with respect to the Refunded Certificates, see "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Upon such irrevocable deposit with the Escrow Agent and the receipt by the Escrow Agent of irrevocable escrow instructions from the City under the Escrow Agreement, the Refunded Certificates will be defeased and the owners of the Refunded Certificates will no longer be entitled to the benefits of the legal documents under which they were executed and delivered.

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The amounts held and invested by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded Certificates. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service on the 2016 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2016 Bonds are as follows:

Sources:

Principal Amount

Plus Original Issue Premium

Less Underwriters' Discount

Plus Available Money Relating to the Refunded Certificates

Total Sources

Uses:

Escrow Fund

Costs of Issuance ⁽¹⁾

Total Uses

⁽¹⁾ Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees and other miscellaneous expenses.

THE 2016 BONDS

Authority for Issuance

The 2016 Bonds are being issued under the Bond Law, the Authority Resolution (which was adopted by the Board of Directors of the Authority on February 17, 2016), the City Resolution (which was adopted by the City Council on February 17, 2016), and the Indenture.

General Provisions

Bond Terms. The 2016 Bonds will be dated their date of delivery and issued in fully registered form without coupons in integral multiples of \$5,000. The 2016 Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Payments of Principal and Interest. Interest on the 2016 Bonds will be payable on April 1 and October 1 in each year, beginning October 1, 2016 (each an "Interest Payment Date"). Principal on the 2016 Bonds will be payable on October 1 in the amounts and in the years set forth on the inside front cover of this Official Statement.

While the 2016 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to the 2016 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2016 Bonds. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the 2016 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- interest on any 2016 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Principal and premium, if any, with respect to each 2016 Bond is payable upon surrender of such Bond at the Office of the Trustee in San Francisco, California, upon maturity or the earlier redemption thereof. The principal of, premium, if any, and interest on the 2016 Bonds will be payable in lawful money of the United States of America. Interest with respect to the 2016 Bonds will be computed on the basis of a 360 day year composed of twelve 30-day months.

Transfer, Registration and Exchange

See “APPENDIX C - Summary of Principal Legal Documents” for a description of the provisions of the Indenture relating to the transfer, registration and exchange of the 2016 Bonds.

Redemption

Optional Redemption. The Bonds maturing on or before October 1, 2026, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after October 1, 2027, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and within a maturity as set forth in the Indenture, at the option of the Authority, on any date on or after October 1, 2026, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on October 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed pursuant to the optional redemption provisions of the Indenture, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Bonds Maturing October 1, ____

Sinking Fund
Redemption Date
(October 1)

Principal Amount
To Be Redeemed

Selection of Bonds for Redemption

Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Notice of Redemption; Rescission

The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

Effect of Redemption

Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2016 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the integral multiples of \$5,000, under the book-entry system maintained by DTC. While the 2016 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2016 Bonds. Purchasers of the 2016 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the 2016 Bonds and Existing Parity Obligations, assuming no optional redemption.

Year Ending October 1	Existing Parity Obligations Principal*	Existing Parity Obligations Interest*	2016 Bonds Principal	2016 Bonds Interest	Total Debt Service
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
Total					

* Does not reflect refunding of the Refunded Certificates.

SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS

The principal of and interest on the 2016 Bonds are not a debt of the Authority (except to the limited extent described in this Official Statement) or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the 2016 Bonds and certain provisions of the Indenture and the 2016 Installment Purchase Agreement. See "APPENDIX C - Summary of Principal Legal Documents" for a more complete summary of the Indenture and the 2016 Installment Purchase Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Pledge of Authority Revenues

The 2016 Bonds are payable from and secured by a pledge of Authority Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Authority Revenues, as defined in the Indenture, mean (a) all of the 2016 Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

THE 2016 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE CITY TO MAKE 2016 INSTALLMENT PAYMENTS IS PAYABLE SOLELY FROM SYSTEM NET REVENUES. NEITHER THE 2016 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE 2016 INSTALLMENT PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS (INCLUDING ANY MEMBER OF THE AUTHORITY) IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

2016 Installment Payments

The 2016 Installment Purchase Agreement provides that the City's obligation to make the 2016 Installment Payments from System Net Revenues and to perform and observe the other agreements contained therein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the System, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the 2016 Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the 2016 Installment Purchase Agreement are fully paid or prepaid, the City (a) will not suspend or discontinue payment of any 2016 Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in the 2016 Installment Purchase Agreement, and (c) will not terminate the 2016 Installment Purchase Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the System, sale of the System, the taking by eminent domain of title to or temporary use of any component of the System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or the 2016 Installment Purchase Agreement.

Pursuant to the Indenture, the Authority transfers, assigns and sets over to the Trustee all of the 2016 Installment Payments and any and all rights, title, interest and privileges it has in, to and under the 2016 Installment Purchase Agreement (other than its rights to expenses and indemnification), including without limitation, the right to collect and receive directly all of the 2016 Installment Payments and the right to enforce the provisions of the 2016 Installment Purchase Agreement. The City consents to such assignment in the 2016 Installment Purchase Agreement and agrees to make payments of the 2016 Installment Payments directly to the Trustee. Under the Indenture, The Trustee is also entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the 2016 Installment Purchase Agreement. The Trustee is entitled to indemnification and expenses before taking such action as provided in the Indenture.

The Indenture provides that all of the 2016 Installment Payments received by the Trustee shall be deposited immediately in the Bond Fund. All of the 2016 Installment Payments are to be

held in trust by the Trustee for the benefit of the Owners of the 2016 Bonds and shall be disbursed and applied only as provided in the Indenture.

Defined Terms

For the purposes of the Indenture and the 2016 Installment Purchase Agreement, the following terms are given the following meanings:

“System Net Revenues” means, for any period, System Revenues less Operation and Maintenance Costs for such period; provided that certain adjustments in the amount of System Net Revenues for a Fiscal Year may be made in connection with amounts deposited in and transferred from the Rate Stabilization Fund.

“System Revenues “ is defined under the 2016 Installment Purchase Agreement as all gross income and revenue received or receivable by the City from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees (including connection fees), rates, charges and all amounts paid under any contracts received by or owed to the City in connection with the operation of the System and all proceeds of insurance relating to the System and investment income allocable to the System and all other income and revenue howsoever derived by the City from the ownership or operation of the System or arising from the System. System Revenues for any Fiscal Year shall include, for the purposes permitted by the 2016 Installment Purchase Agreement, amounts transferred to the System Revenue Fund from the Rate Stabilization Fund during such Fiscal Year. System Revenues does not include the payments received by the City pursuant to the NCPA Lease described herein in “THE SYSTEM - Disposal of Recycled Water.”

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the System in good repair and working order, including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Indenture or of any Supplemental Agreement or resolution authorizing the execution of any Parity Obligations, such as compensation, reimbursement and indemnification of the Trustee and the Corporation, fees and expenses of Independent Certified Public Accountants and deposits to the Rebate Fund; but excluding in all cases (i) payment of Parity Debt and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles are chargeable to a capital account, (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, (iv) City Administrative Costs (as defined in the Indenture (the “City Administrative Expenses”)), and (v) transfers from the System Revenue Fund to other funds or accounts of the City.

For definitions of additional terms used in the 2016 Installment Purchase Agreement and the Indenture, see “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—CERTAIN DEFINITIONS”.

Pledge of System Net Revenues

Pursuant to the 2016 Installment Purchase Agreement, all System Net Revenues and all amounts on deposit in the System Revenue Fund are irrevocably pledged to the payment of the 2016 Installment Payments, as provided in the 2016 Installment Purchase Agreement. The 2016 Installment Purchase Agreement provides that such pledge, together with the pledge of System Net Revenues and amounts in the System Revenue Fund securing all other Parity Debt shall, subject to application as permitted in the 2016 Installment Purchase Agreement, constitute a first lien on System Net Revenues and amounts on deposit in the System Revenue Fund.

The obligation of the City to make the 2016 Installment Payments is a special obligation of the City payable solely from the System Net Revenues, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

See “Outstanding Parity Obligations” and “Additional Parity Debt” below.

Rate Covenant

The 2016 Installment Purchase Agreement provides that the City will, at all times until all 2016 Installment Payments have been fully paid or provision has been made therefor in accordance with the 2016 Installment Purchase Agreement, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs.
- (ii) The 2016 Installment Payments and all other Parity Obligation Payments and all payments on Subordinate Obligations as they become due and payable.
- (iii) All payments required for compliance with the terms of the Indenture and the 2016 Installment Purchase Agreement.
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the System Revenues.

In addition, the City covenants that it will, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 110% of the Annual Debt Service in such Fiscal Year; provided an adjustment may be made to the amount of System Net Revenues for amounts deposited into or withdrawn from the Rate Stabilization Fund; provided that, for purposes of such calculation, the amount of System Net Revenues before any credits for transfers from the Rate Stabilization Fund to the System Revenue Fund may not be less than 100% of Annual Debt Service for such Fiscal Year.

Application of System Revenues

The City agrees and covenants in the 2016 Installment Purchase Agreement that all System Revenues it receives (except for net proceeds of any casualty insurance or condemnation award) will

be deposited when and as received in the System Revenue Fund, which the City has established and which the City agrees to maintain separate and apart from other moneys of the City until all Installment Payments have been fully paid or provision has been made therefor in accordance with the 2016 Installment Purchase Agreement. Moneys in the System Revenue Fund shall be used and applied only as provided in the 2016 Installment Purchase Agreement. The 2016 Installment Purchase Agreement provides that the City is to pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs the payment of which is not then immediately required) from the System Revenue Fund as they become due and payable and all remaining money in the System Revenue Fund shall be set aside and deposited by the City at the following times in the following order of priority:

Installment Payments. Not later than each Installment Payment Date, the City is required to, from the moneys in the System Revenue Fund, transfer to the Trustee the 2016 Installment Payment due and payable on that Installment Payment Date. The City will also, from the moneys in the System Revenue Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligation.

Reserve Account. On or before the first Business Day of each month, the City shall, from the remaining moneys in the System Revenue Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such debt service reserve funds, if any, as may have been established in connection with Parity Obligations that sum, if any, necessary to restore such debt service reserve funds for Parity Obligations to an amount equal to the amount required to be maintained therein (including to reimburse the provider for a draw on a reserve account credit instrument). **Amounts on deposit on the Reserve Account are not available for payment of debt service on the 2016 Bonds.**

Surplus. Moneys on deposit in the System Revenue Fund not necessary to make any of the payments required above in a Fiscal Year, may be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to Subordinate Obligations and deposits to the Rate Stabilization Fund.

Outstanding Parity Obligations

The City has the following outstanding obligations that are payable from System Net Revenues on a parity with the 2016 Installment Payments (referred to as the “Existing Parity Obligations” in this Official Statement):

2004 Certificates. On May 12, 2004, the City caused execution and delivery of the \$27,360,000 initial principal amount Wastewater System Revenue Certificates of Participation, 2004 Series A (the “2004 Certificates”). The 2004 Certificates are secured by and payable from installment payments (the “2004 Installment Payments”) payable by the City under an Installment Purchase Agreement, dated as of May 1, 2004 (the “2004 Installment Purchase Agreement”) between the City and the Lodi Public Improvement Corporation (the “Corporation”). As of February 1, 2016, the outstanding principal obligation under the 2004 Installment Purchase Agreement was \$2,070,000.

2007 Certificates. On November 16, 2007, the City caused execution and delivery of the \$30,320,000 initial principal amount Wastewater System Revenue Certificates of Participation, 2007 Series A (the “2007 Certificates”). The 2007 Certificates are secured by and payable from installment payments (the “2007 Installment Payments”) payable by the City under an Installment Purchase Agreement, dated as of December 1, 2007 (the “2007 Installment Purchase Agreement”) between the City and the Corporation. Upon issuance of the 2016 Bonds and the refunding of the Refunded Obligations, \$ _____* of the 2007 Certificates will remain outstanding.

2012 Revenue Bonds. On September 5, 2012, the City caused execution and delivery of the \$17,105,000 Lodi Public Financing Authority 2012 Refunding Wastewater Revenue Bonds, Series A (the “2012 Bonds”). The 2012 Bonds are secured by and payable from installment payments (the “2012 Installment Payments”) payable by the City under an Installment Purchase Agreement, dated as of September 5, 2012 (the “2012 Installment Purchase Agreement”) between the City and the Authority. As of February 1, 2016, the outstanding principal obligation under the 2012 Installment Purchase Agreement was \$ _____.

Additional Parity Debt

In addition to the Existing Parity Obligations, the City is permitted under the 2016 Installment Purchase Agreement to incur obligations secured by a pledge of System Net Revenues on a parity with the 2016 Installment Payments and the Existing Parity Obligations, subject to satisfaction of the following conditions. The 2016 Installment Purchase Agreement refers to the 2016 Installment Payments and any Parity Obligations as “Parity Debt”.

(a) The City must be in compliance with its obligations under the 2016 Installment Purchase Agreement.

(b) Any debt service reserve fund established for such Parity Debt shall satisfy the following criteria: (i) such debt service reserve fund shall be held by an independent trustee (who may be other than the Trustee); (ii) the required amount of such debt service reserve fund shall not exceed the lesser of the maximum annual debt service of such Parity Debt (calculated on the basis of a year ending on the principal payment date of such Parity Debt) or the maximum amount permitted under the Code, provided that, if such Parity Debt is a loan from a governmental agency, then a debt service reserve fund shall be established in the amount, if any, required or permitted by such governmental agency; and (iii) the City shall not be required to replenish withdrawals from such debt service reserve fund in greater than monthly installments equal to 1/12 of the aggregate amount needed to restore the debt service reserve fund to the required level.

(c) The System Net Revenues for the last completed Fiscal Year or any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of the Parity Debt, as shown by a Certificate of the City on file with the Trustee, plus an allowance for increased System Net Revenues arising from any increase in the rates, fees and charges of the System which was duly adopted by the City Council of the City prior to the date of the entry into or incurrence of the Parity Debt but which, during all or any part of such 12 month period, was not in effect, in an amount equal to the amount by which the System Net Revenues would have been increased if the increase in rates, fees and charges had been in effect during the whole of

* Preliminary; subject to change.

such 12 month period, as shown by a Certificate of the City on file with the Trustee, must have produced a sum equal to at least 110% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of the Parity Debt; provided, that in the event that all or a portion of such Parity Debt is to be issued for the purpose of refunding and retiring any Parity Debt then outstanding, interest and principal payments on the Parity Debt to be so refunded and retired from the proceeds of such Parity Debt being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; provided further, that the City may at any time enter into or incur Parity Debt without compliance with the foregoing conditions if the Annual Debt Service for each Fiscal Year during which such Parity Debt is outstanding will not be increased by reason of the entry into or incurrence of such Parity Debt; and provided further, an adjustment shall be made in the amount of System Net Revenues as described in “Rate Stabilization Fund” below.

The Projected Operating Results contained in Table 10 do not currently contemplate the issuance of Additional Parity Obligations during the Projection period.

Subordinate Obligations

The 2016 Installment Purchase Agreement permits the City to incur obligations payable from System Net Revenues on a subordinate basis to the 2016 Installment Payments, the Existing Parity Obligations and any future Parity Debt.

Rate Stabilization Fund

Pursuant to the 2016 Installment Purchase Agreement, a Rate Stabilization Fund is to be held and maintained by the City until all Installment Payments have been fully paid or provision has been made therefor in accordance with the 2016 Installment Purchase Agreement. The City may, during or within 210 days after a Fiscal Year, transfer surplus System Net Revenues attributable to such Fiscal Year on the basis of Generally Accepted Accounting Principles (the “GAAP Receipt Fiscal Year”) from the System Revenue Fund to the Rate Stabilization Fund. The City may at any time transfer moneys from the Rate Stabilization Fund to the System Revenue Fund. System Net Revenues deposited into the Rate Stabilization Fund will not be taken into account as System Net Revenues for the GAAP Receipt Fiscal Year for purposes of the calculations required by the covenants in the 2016 Installment Purchase Agreement relating to rate coverage and additional Parity Obligations. Amounts withdrawn from the Rate Stabilization Fund and deposited into the System Revenue Fund, may be taken into account as System Revenues for purposes of the calculations required by such covenants for the Fiscal Year in which such deposit is made; provided that, for purposes of the calculation described in the last paragraph under “Rate Covenant” above, the amount of System Net Revenues before any credits for transfers from the Rate Stabilization Fund to the System Revenue Fund may not be less than 100% of Annual Debt Service for such Fiscal Year.

As of June 30, 2015, the Rate Stabilization Fund contained \$500,000. The Projected Operating Results contained in Table 10 hereof do not contemplate the use of moneys in the Rate Stabilization Fund.

THE SYSTEM

General

The City of Lodi is located in the County of San Joaquin (the “County”) between Stockton and Sacramento, and adjacent to U.S. Highway 99, approximately 90 miles east of San Francisco. The City was incorporated as a General Law City on December 6, 1906.

The City operates under a City Council-Manager form of government and provides the following services: public safety (police, fire and graffiti abatement), public utilities services (electric, water and sewer), transportation services (streets, flood control and transit), leisure, cultural and social services (parks and recreation, library, and community center), and general government services (management, human resources administration, financial administration, building maintenance and equipment maintenance). Since 1923, the City has been providing wastewater collection and treatment services to the community.

As of January 1, 2016, the City had an estimated population of 63,791 within an area of approximately 13.98 square miles.

See “APPENDIX A – CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING THE CITY OF LODI.”

Governance and Management

The System is operated as a separate enterprise activity within the City government. This structure is essentially the same as for its water and electric utility enterprises. Functionally, the System is operated jointly with the water utility by the Water/Wastewater Division within the Department of Public Works. This arrangement is designed by the City to provide for improved efficiency in cross training and utilization of staff and in the purchase and use of equipment and facilities.

The City is governed by a five-member City Council comprised of members elected at large. Each council member is elected for four years with staggered terms.

The current City Council members and the expiration dates of their terms are set forth below.

Council Member	Title	Expiration of Term
Mark Chandler	Mayor	December 5, 2018
Doug Kuehne	Mayor Pro Tempore	December 5, 2018
JoAnne Mounce	Council Member	December 7, 2016
Alan Nakanishi	Council Member	December 5, 2018
Bob Johnson	Council Member	December 7, 2016

Following are biographies of certain City staff.

STEPHEN SCHWABAUER, *City Manager*, was appointed to the position by the City Council on June 5, 2014 after serving five-months as the Interim Manager. He had been Lodi’s City Attorney from 2004 to 2014, and Deputy City Attorney from 2000 to 2004. During his tenure as City

Attorney, Steve negotiated the resolution of a multimillion dollar groundwater contamination action and associated financing scheme. Steve also led labor negotiations for much of his tenure as City Attorney and developed significant experience with budget operations and employee relations. Steve earned his Bachelor of Arts degree from U. C. Davis in 1990 and his law degree from U. C. Berkeley in 1994.

JORDAN AYERS, Deputy City Manager/Internal Services Director, has been the City’s Deputy City Manager/Internal Services Director since December 15, 2008. As Lodi’s administrative second-in-command, Ayers oversees the City’s Finance, Budget and Treasury, Information Systems and Human Resources functions. Ayers came to the City after a 26-year career with Sacramento County. He was Deputy Director for Administrative and Business Services within Sacramento County’s General Services department before being hired by the City. Ayers began his professional career with Sacramento County following his graduation from California State University, Sacramento, in 1982 with a Bachelor of Science degree in Business Administration.

CHARLES E. SWIMLEY, JR., Interim Public Works Director, began his tenure with the City in 2001 as Senior Civil Engineer, was promoted to Water Services Manager in 2006 then Deputy Director of Utilities in 2010 where he oversaw wastewater collection and treatment, water production and distribution and street maintenance. In 2012, Swimley was promoted to City Engineer until his appointment to Interim Public Works Director in December 2015. Mr. Swimley, a registered civil engineer since 1994, earned his Bachelor of Science degree from California State University, Sacramento.

Employees

For Fiscal Year 2015-16, the City has 57 full-time equivalent employee positions budgeted for the System and the City’s water system. Employees of the System and the City’s water system are primarily represented by the Maintenance and Operators Bargaining Unit, whose Memorandum of Understanding is set to expire on December 31, 2017. The City has never experienced a labor strike.

Retirement Programs

Certain Retirement Benefits. Salaries and benefits costs of the System include funding of retirement benefits for employees assigned to the System who, as City employees, participate in the California Public Employees Retirement System (“PERS”). (City employees assigned to the System constitute approximately 8.4% of all City employees.) Retirement payments paid from System Revenues, with respect to employees assigned to the System, were approximately \$481,500 Fiscal Year 2012-13, approximately \$498,400 in Fiscal Year 2013-14, and approximately \$508,800 in Fiscal Year 2014-15. The City estimates that the required contribution for Fiscal Year 2015/16 will be approximately \$649,100. In addition, the PERS contribution payable from the Wastewater Fund is projected to continue to increase.

The table below shows the actual required rate of PERS contributions from 2016-17 and the projected future rates for the following five years, as currently calculated by PERS. Each one percent (1%) increase in the contribution rate equates to approximately a \$32,500 increase in PERS cost for the system at current salary rates.

2016-17	2017-18*	2018-19*	2019-20*	2020-21*	2021-22*
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21.797%	23.7%	25.6%	27.4%	27.7%	28.3%
*Projected					

For a variety of reasons, including investment losses, the City has experienced significant unfunded liabilities, and retirement costs payable with respect to all City employees, including those assigned to the System, has increased in recent years. As show above, required contributions from the City are expected to continue to increase. See APPENDIX B — “AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2015” — Note 9 to the Basic Financial Statements” for a discussion of retirement liabilities payable by the City.

In addition to required contributions for retirement benefits for employees, the City pays certain post-employment health care and other non-pension (“OPEB”) benefits for such employees. The City’s OPEB related payments were approximately \$700,000 in Fiscal Year 2014-15 and are projected to be approximately \$715,000 in Fiscal Year 2016-17. Approximately 8.4 percent of City employees are assigned to the System and the City estimates that a similar ratio of OPEB costs is attributable to System employees. The City generally contributes the minimum amount required under State law to most retired employees. However, a limited number of employees hired prior to 1995 may be eligible for additional OPEB benefits. See APPENDIX B — “AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2011” — Note 10 to the Basic Financial Statements” for a discussion of OPEB liabilities payable by the City, as well as the City’s current unfunded OPEB liability.

Payments to PERS and payments with respect to OPEB benefits constitute Operation and Maintenance Costs of the System.

The City has completed negotiations with the labor groups which represent City employees assigned to the System for 2015 through 2017. Key elements in the new contracts, which generally end on December 31, 2017, include employees paying the full share of the employee share of retirement starting January 1, 2014, capping City medical cost exposure at the January 2014 levels, establishing a second tier retirement system for all new hires and establishing 3%, 2% and 2% cost-of-living adjustments in January of 2015, 2016 and 2017 respectively.

Insurance

The City’s boiler and machinery operations (including those parts of the System) are insured by Hartford Steam Boiler for up to \$21,250,000 in coverage. The City, including the System, is self-insured for general liability losses for up to \$500,000 and has pooled excess coverage through the California Joint Powers Risk Management Authority for up to \$40 million per occurrence. The City is self-insured for workers’ compensation losses for up to \$250,000 and has excess coverage through the Local Agency Workers’ Compensation Excess Authority for statutory coverage.

System Facilities

The System consists of 186.5 miles of wastewater mains, seven pump stations and one wastewater treatment plant, the White Slough Water Pollution Control Facility (the “White Slough Facility”).

White Slough Facility. The White Slough Facility operates pursuant to a National Pollutant Discharge Elimination System (“NPDES”) permit, governing the City’s surface water discharges, and a Waste Discharge Requirement (“WDR”). Each governs the City’s reuse activities

administered by the State of California Regional Water Quality Control Board, Central Valley Region (the "RWQCB"). Both permits were adopted by the RWQCB in October 2013. The current NPDES permit will expire in November 2018. The WDR does not have an expiration date. See "Environmental Compliance" below.

The White Slough Facility is located in a primarily agricultural area adjacent to Interstate 5, approximately 6.5 miles southwest of the City. The White Slough Facility was originally constructed in 1966 to replace an older wastewater treatment plant located in the City. The White Slough Facility assists the City in maintaining water quality standards required for the protection of the environmentally sensitive Sacramento-San Joaquin Delta. Through the years, the White Slough Facility has been expanded and improved to meet increasingly stringent environmental protection standards. In 1992, the City expanded the White Slough Facility to a capacity of 8.5 million gallons per day ("MGD"). However, the Waste Discharge Requirements ("WDRs") issued by the Regional Water Quality Control Board (the "RWQCB") established an interim limit the average dry weather flow from the White Slough Facility of 7.0 MGD to limit potential water quality impacts in Dredger Cut, a waterway connecting to White Slough. After the establishment of the interim limit, improvements financed with proceeds of the 2007 Certificates restored the treatment capacity to the full 8.5 MGD. The average current daily demand on the White Slough Facility is approximately 5.0 MGD. The 8.5 MGD flow capacity is expected to be sufficient to accommodate the City's growth projections past 2035.

The White Slough Facility consists of an activated sludge treatment system and a lagoon and storage pond system, having approximately 100 million gallons of capacity. Preliminary treatment of the domestic wastewater is accomplished by comminutors, detritors and five rectangular clarifiers. Secondary treatment facilities consist of six activated sludge aeration basins with a fine bubble aeration system and anoxic zones for denitrification; and three circular secondary clarifiers. The aeration system is driven by four centrifugal blowers. The municipal wastewater is treated to Title 22 tertiary standards using cloth filtration and ultraviolet light pathogen deactivation (uv disinfection) prior to surface water discharge. A 2.5 MW emergency generator is available in case of power interruptions.

In addition to domestic wastewater treatment, the White Slough Facility also disposes of industrial wastewater produced primarily by Pacific Coast Producers, a local cannery. See "Service Area and Customers" below.

During summer months (i.e., generally during the period from May 1 through September 1), treated domestic wastewater and industrial wastewater, are blended together and used for irrigation of an adjacent 790 acres of City-owned agricultural land. Class B biosolids are dewatered and seasonally applied to approximately 300 acres of feed and fodder crops. Recycled irrigation water and biosolids applications are performed under direction of a certified agronomist, and are to be applied at agronomic rates. During the remainder of the year, treated domestic wastewater is discharged to Dredger Cut in the Sacramento-San Joaquin Delta, and industrial wastewater is stored in four ponds located directly north of the main treatment plant site. These ponds have a total surface area of about 40 acres. Tertiary treated domestic wastewater is also used by the adjacent Northern California Power Agency power generation facilities for various purposes, including, but not limited to, cooling. Tertiary treated domestic wastewater is also used to supply nearby ponds that are used by the Mosquito Abatement District to raise mosquito fish. Sludge is thickened and then digested in four anaerobic digestors, dewatered using two rotary fan presses and then in a covered concrete lined

facility for eventual use on City-owned agricultural land. Methane gas from the anaerobic digestion process is used for building and digester heating. Excess methane is flared off at the plant site.

Collection System. The existing collection system, not including the outfall to the treatment plant, consists of approximately 187.1 miles of 4” to 42” sewers constructed of clay, concrete, and PVC plastic materials. Included in this system are six lift stations which serve outlying portions of the City and one industrial waste pumping station. The collection system currently serves over 23,000 customers (most of which are residential), 1,400 acres of commercial/industrial development, and 250 acres of schools. Over 50% of the sewers are 6” in diameter. The following contains certain information relating to the City’s sewer lines.

Table 1
City of Lodi
Wastewater System
Tabulation of Existing Sewers
As of July 1, 2015

Sewer Size (inches)	Total Feet	Sewer Size (inches)	Total Feet
42	30,662	14	6,956
30	9,715	12	46,782
24	18,795	10	75,114
21	14,749	8	203,097
18	31,976	6	530,066
16	7,642	4	4,572
15	22,039		

Source: City of Lodi

The domestic wastewater collection system conveys all domestic and commercial flows and limited industrial flows. The industrial wastewater system conveys fruit processing water and minor amounts of cooling and process water contributed by certain industries. The wastewater collection system serves all of the developed property within the City limits.

The age of the collection system ranges from new to around 100 years old. For nearly thirty years the City has implemented a regular cleaning schedule and performed localized repairs and replacements. Approximately eleven years ago, the City implemented a capital rehabilitation program that expends approximately \$1 million per year on sewer lining, spot repairs, and pipe replacements. Since the inception of this program, over \$16 million has been invested in the collection system. The pipelines to be replaced are identified through the regular maintenance program for these facilities performed by City crews. This program includes the systematic hydrocleaning, rodding, smoke testing and video inspection of mains throughout the City.

Environmental Compliance

In 2001, the City adopted the City of Lodi Wastewater Master Plan (the “Master Plan”). The Master Plan provided the City with a strategy for reliably meeting future discharge and capacity requirements to meet the City’s needs. Over the past fifteen years, the City has invested approximately \$50 million dollars toward major treatment plant upgrades that include tertiary

treatment using cloth filtration and ultra violet disinfection, aeration basin upgrades that include anoxic zones for denitrification, solids handling infrastructure that includes an additional digester, sludge lagoon and biosolids dewatering facility and headworks improvements. The City recognizes the importance of operating and maintaining current and reliable treatment facilities in order to assure environmental compliance with State requirements.

Due to exceptional water quality performance during the term of the 2007 NPDES Permit, the 2013 Permit reflected significantly reduced discharge limits for Biological Oxygen Demand (BOD), total suspended solids (TSS) electrical conductivity (EC), ammonia, nitrate, PH nitrite, and other requirements associated with delta Total Maximum Daily Loads (“TMDLs”). The 2013 WDR includes a number of groundwater protection requirements for a range of constituents including chloride, iron, boron, lead, mercury, manganese, sodium nitrogen, and ammonia. Operations currently comply with these requirements.

The City’s pretreatment program complies with the pretreatment requirements contained in the Federal Water Pollution Control Act. In general, although the City has experienced a handful of non-material instances of noncompliance, the White Slough Facility has complied with all discharge requirements contained in the 2013 Permit.

The 2013 Permit expires in November 2018. Discussions with RWQCB staff will commence with the City submitting a Report of Waste Discharge in November 2017. During the approval process of a new NPDES permit, the White Slough Facility may continue to operate under the requirements of the 2013 Permits until new permits are adopted by the RWQCB. The City expects the new permit conditions will require continued monitoring activities as in the 2013 Permits.

While the City does not anticipate the discharge limits and other requirements for the White Slough Facility as set forth in the 2013 Permits will be significantly different in the new NPDES and WDR permits when they are issued, the City has not yet received draft permit conditions. There can be no assurances that the new permit, when issued, will not impose significant new and potentially more stringent conditions and requirements on the operations of the White Slough Facility, which could result in significant increases in capital and/or operating costs. See “RISK FACTORS – Permit Renewal” herein.

Service Area and Customers

The City provides wastewater collection and treatment to substantially all of the population of the City. The City does not provide wastewater service outside the City limits, except for wineries and other public wastewater service districts pursuant to contracts with the City.

The table below shows the number of connections of the System by user type and service charge revenues by class of user.

Table 2
City of Lodi
Wastewater System
Number of Connections by User Type
as of June 30
and Percentage of Fiscal Year 2014-15 Service Charge Revenue by User Type

User Type	2011	2012	2013	2014	2015	% of FY14-15 Service Charge Revenue
Residential	21,956	21,864	21,959	22,076	21,920	92%
Commercial/Industrial	1,785	1,819	1,851	1,851	1,876	8%
Total All Users	23,741	23,683	23,810	23,927	23,796	100.0%

Source: City of Lodi

The table below shows the 10 largest users of the System based on service charge revenues for the Fiscal Year 2014-15.

Table 3
City of Lodi
Wastewater System
Largest Users by Service Charge Revenues
Fiscal Year 2014-15 (unaudited)

User	Type of Business	Service Charge Revenue	Percentage of Total Annual Service Charge Revenue
ConAgra Foods	Specialty bakery, frozen dough	\$ 474,855	3.22%
General Mills ⁽¹⁾	Cereals, bread mixes, snack foods	332,022	2.25
Lodi Unified School District	K-12, adult education	95,931	.65
Miller Packing	Hot dog producer	39,311	.26
Blue Shield of California	Health Insurance	39,119	.26
Archer Daniels Midland	Agricultural Processor	35,804	.24
Pacific Coast Producers	Private label fruit canning	32,856	.22
Covenant Care	Rehabilitation/Nursing Center	21,397	.14
Vienna Convalescent Hospital	Rehabilitation/Nursing Center	21,140	.14
Del Castillo Foods	Tortilla producer	20,580	.13
Total Top 10 Users		\$ 1,113,015	7.51%
Total System		\$14,714,123	100.00%

⁽¹⁾ General Mills closed all operations in December of 2015 and has the property listed for sale. At this time, future wastewater demand and revenue from the site is unknown. The City does not believe that the closure will have a material effect on the System's financial condition.

Source: Lodi Public Works Department.

Wastewater Rates and Charges

The City has the power to establish rates and charges as needed to operate the System. The rates and charges are established by the City Council and are not subject to review or approval by any other agency. The City principally relies on service charges and connection fees. The City is required to comply with the provisions of Proposition 218 (including public notice and hearing requirements) in connection with the establishment of rates, and it believes it has done so with all rate increases to date.

Service Charges. The City Council approved multi-year charges and rate increases for domestic system residential, commercial and industrial wastewater service in May, 2014 through December of 2018 based on a maximum increase in the Engineering News Record, but has from time to time imposed lower increases than were approved, depending on the then-current needs of the System.

Set forth below is a table showing the rates effective July 1 in Fiscal Years 2012-13 through 2014-15. The Projected Operating Results contained herein contemplate that rates will increase approximately 3% each year for Fiscal Years 2015-16 through 2017-18. Rate increases beyond Fiscal Year 2017-18 would be subject to approval by the City Council and compliance with Proposition 218 requirements.

Table 4
City of Lodi
Wastewater System
Schedule of Wastewater Service Charges

For Residential Users (per month):	Service Charge (effective July 1, 2012)	Service Charge (effective July 1, 2013)	Service Charge (effective July 1, 2014)	Service Charge (effective July 1, 2015)
1 Bedroom	\$25.20	\$25.83	\$26.48	\$27.22
2 Bedrooms	33.60	34.44	35.30	36.29
3 Bedrooms	42.00	43.05	44.13	45.36
4 Bedrooms	50.40	51.66	52.95	54.43
5 Bedrooms	58.80	60.27	61.78	63.51
6 Bedrooms	67.20	68.88	70.60	72.58
7 Bedrooms	75.60	77.49	79.43	81.65
Usage-Based Rates (per month):				
Service Charge (per month for ¾ inch meter)	22.95	23.52	24.11	24.78
Usage Charge (per CCF)	2.61	2.68	2.75	2.82

For Commercial/Industrial Users:	Service Charge (effective July 1, 2012)	Service Charge (effective July 1, 2013)	Service Charge (effective July 1, 2014)	Service Charge (effective July 1, 2015)
Moderate Strength (annual per Sewage Service Unit (SSU))	\$403.20	\$413.28	\$423.61	\$435.47
High Strength:				
Flow (annual per MG)	3,402.35	3,487.41	3,574.60	3,674.68
BOD (annual per 1,000 lbs.)	561.47	575.51	589.90	606.41
SS (annual per 1,000 lbs.)	351.07	359.85	368.85	379.17
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.)	297.29	304.72	312.34	321.08
Septic Holding Tank Waste outside City Limits (per 1,000 gal.)	631.11	646.89	663.06	681.63
Disposal to Storm Drain System (per MG)	312.28	320.09	328.09	337.28
Disposal to Industrial System				
Flow (per MG, annual basis)	7,553.00	7,553.00	7,553.00	7,553.00
BOD (per 1,000 lbs., annual basis)	159.00	159.00	159.00	159.00
Winery Waste (per 1,000 gallons)	301.04	301.04	301.04	301.00

There are separate charges applicable to the industrial system, which primarily apply to Pacific Coast Producers, the largest individually-monitored system user. No new users have been connected to the industrial system, except the Michael David Winery, in several years and no new users are anticipated.

The tables above include usage-based rates which are applicable to those customers which have water meters and which are used to determine the monthly wastewater service and usage charge. The City Council adopted usage based wastewater rates in 2010 that are annually calculated based upon the water usage during the prior winter months of December, January and February. In July of each year, a new standard monthly charge is calculated based upon the winter usage and

billed for the next 12 months. The Water Meter Program policy approved in 2009 established a process to transition single family residential customers from flat water and wastewater rates to usage-based water and wastewater rates. As of July 1, 2015, approximately 7,300 customers of the System were being charged usage-based rates. By July 1, 2016, an additional 1,300 customers will be charged usage-based rates. The City expects that all single family residential customers will be transitioned to usage-based water and wastewater rates by January 2020. Prior to converting any customer to usage-based rates, the City provides the customer with actual water and wastewater usage data and information regarding how the customer's bills may be affected with the change in billing.

The new usage-based wastewater rate structure for single family customers includes a fixed service charge based on the size of the water meter, and a single-tier usage rate structure. Usage-based rates are expected to be revenue neutral, in the aggregate, with the prior rate structure.

The City reviews its rate model frequently with actual results to gauge whether the transition to metered rates is in fact performing on a revenue neutral basis. This evaluation is all the more important in light of recent water conservation mandates placed on the City by the State. Because of the current drought in the State, Lodi has been ordered to cut its water use by 32% from 2013 usage levels. While the majority of that conservation is coming from reductions in water used for irrigation, which is excluded from Lodi's wastewater rate base as referenced above, some portion of the conservation is coming in reduced winter water usage. However, the rate model adopted in 2013 assumed that average metered consumption rate would be 9.3 ccf per month per single family residential account. That prediction was then used to set the metered rate for wastewater services to equal the revenue from the per-bedroom rate that has historically been used by the City to charge for wastewater services. Actual winter month usage since 2012 has annually averaged 10.4 ccf and the November and December 2015 average usage was 12.2 ccf and 8.5 ccf respectively (for a two month average of 10.3 ccf) after the conservation mandate was effective. As such the City believes that the current rate model appears to have adequate room to absorb current and reasonably anticipated future conservation mandates. If necessary, the City System's capital program could be temporarily modified to further absorb reductions in revenue due to conservation mandates until adequate rate adjustments are implemented.

Historical Rates. The following table shows rate increases approved by the City Council as well as increases actually implemented.

**Table 5
Approved and Implemented Service Charge Rate Adjustments**

Year	Approved	Implemented
2009-10	25%	25%
2010-11	20%	12%
2011-12	10%	5%
2012-13	5%	3%
2013-14	2.8% ⁽¹⁾	2.5%
2014-15	2.6% ⁽¹⁾	2.5%
2015-16	3%	2.8%

(1) ENR Index cap.

Capacity/Connection Fees. Capacity/connection fees are one-time only connection charges based on estimated annual usage (the City reviews large industrial users after connection to determine actual usage and, in some cases, adjusts the connection fee to reflect actual usage). Capacity/connection fees are collected at the time a building permit is granted.

The current capacity/connection fees are identified in the following table:

**Table 6
Capacity/Connection Fees
(as of July 1, 2015)**

Description	Fees ⁽¹⁾
High Strength Users	
Flow (per million gallons (MG), annual basis)	\$47,753
BOD (per 1,000 lbs., annual basis)	12,368
SS (per 1,000 lbs., annual basis)	6,614

⁽¹⁾ Includes 2% public art fee. Subject to annual adjustment on July 1 based on the past annual change in the Engineering News Record 20 Cities Construction Index.
Source: City of Lodi.

New residential development in the City is subject to a growth control ordinance that limits new residential development based on an increase in population of 2% per year. However, as a practical matter, the City’s growth control ordinance has had little effect on Lodi’s growth in recent years because unused growth allocations are carried over from prior years resulting in a substantial surplus. Nonetheless, capacity connections fees have not historically constituted a significant portion of System Revenues. In Fiscal Year 2015-16, the City estimates that connection fees will constitute approximately 1% of System Revenues.

Collections. The City bills for water, wastewater, solid waste and electricity on the same bill. If a bill is unpaid, the City will terminate electric service to a customer within 46 days of initial billing after 48 hours notice. The annual delinquency rate has been less than 1% for the bulk of the preceding 10 fiscal years. The actual delinquency rate for Fiscal Year 2014-15 was 0.3%.

Comparison of Monthly Wastewater Service Charges of Selected Agencies. A comparison of wastewater service charges of selected agencies located in San Joaquin County for an average single-family home is set forth below.

Table 7
Comparison of Monthly Wastewater Service Charges
(as of July 1, 2015⁽¹⁾)

<u>Agency</u>	<u>Service Charge ⁽²⁾</u>
City of Tracy	\$35.20
City of Stockton	41.40
City of Galt	46.85
City of Manteca	43.30
City of Lodi	50.16
<i>Average</i>	<i>43.38</i>

(1) Rates shown are as of July 1, 2015.

(2) For all agencies other than the City, based upon flat monthly rate charged to all single family residential customers. Rate for City reflects a fixed monthly service charge plus usage charge for median volume user.

Source: City of Lodi.

Planned Capital Improvements

In April 2012, the City completed the final portion of significant capital improvements at the White Slough Treatment Facility that were financed with the proceeds of the 2007 Certificates. The City has programmed several large capital improvement projects over the next three years that include the investigation and repair of several concrete process tanks and channels that have corroded due to exposure to hydrogen sulfide gas, relocating/upgrading the south electric room, construction of coarse screening and septage receiving facilities, and various electrical upgrades to address arc flash potential. These projects are programmed through Fiscal Year 2017-18 and total approximately \$13 million through that period. Funding for these projects is projected to be available under the City's current rate model through current and future rate increases (capped at 3% per year) and impact fees.

There is one remaining phase of the original pipe lining and replacement program that was initiated in the early 2000's. This phase is being deferred to accommodate funding needed for the 2017-18 facility improvements to the White Slough Treatment Facility as noted above and will be completed upon completion of the White Slough improvements. Future pipeline and replacement projects in other areas of the city will be programmed as necessary based on pipeline condition assessments.

In October 2015, the City was conditionally awarded a Proposition 84, Delta, San Joaquin River, and Sacramento River Water Quality Program Grant by the California Department of Water Resources ("DWR"), to receive \$4,600,000. The grant is only offered to agencies located within the Sacramento San Joaquin Delta Area.

Upon final approval by DWR (expected by July 2016), the grant will fund up to 75 percent of the total proposed costs (approximately \$6.1 million) for environmental, design, and construction components of the project. (The Projected Operating Results assume that this grant is finally approved and funded.) The City will be responsible for the remaining 25 percent match (approximately \$1.5 million) which is programmed into the City's Projected Operating Results over three fiscal years beginning Fiscal Year 2016-17. The City is eligible to receive credit for pre-project

costs that were incurred after November 2008 toward the 25 percent match. The costs eligible for credit are estimated to be between \$300,000 and \$400,000. To be conservative, this credit is not currently accounted for in the Projected Operating Results.

The proposed recycled water storage facilities, located at the White Slough Treatment Facility, are intended to reduce or eliminate the City's need to seasonally discharge wastewater to the Delta and to recharge recycled Title 22 effluent into a critically over drafted groundwater basin. The recycled and groundwater recharge components of the project operation will even further benefit the City's already demonstrated groundwater sustainability.

Other capital maintenance improvements at White Slough and the 7 lift stations are included in the financial plan for the replacement and maintenance of equipment as it ages. Much of this capital maintenance activity is planned and scheduled through a computer-based asset management and maintenance program. In addition to the \$1 million annual allocation for pipe lining and replacement, the annual planned expenditures are expected to be approximately \$5.4 million in Fiscal Year 20-15-16, approximately \$7.2 million in Fiscal Year 2016-17, and approximately \$13.5 million in Fiscal Year 2017-18 and then are expected to decline significantly in Fiscal Years 2018-19 and 2019-20.

Financial Statements

The audited Comprehensive Annual Financial Report for the City as of June 30, 2015 is included in Appendix B to this Official Statement. The Comprehensive Annual Financial Report includes all funds and accounts of the City, including the City's General Fund. The 2016 Installment Payments are special obligations of the City payable solely from the System Net Revenues, and are not payable from the City's General Fund. The Comprehensive Annual Financial Report has been audited by Macias, Gini & Company LLP, Sacramento, California, independent accountants (the "Independent Accountants") as stated in their report appearing in Appendix B.

No review or investigation with respect to subsequent events has been undertaken in connection with such General Purpose Financial Statements by the Independent Accountants and the Independent Accountants have not been asked to consent to the City including the General Purpose Financial Statements in this Official Statement.

Disposal of Recycled Water

As described below, the City receives certain payments relating to recycled water which do not constitute System Revenues.

The City is a party to a Second Amended and Restated Ground Lease, dated April 29, 2013, with the Northern California Power Agency ("NCPA").

The City owns certain real property adjacent to the White Slough Facility that it purchased prior to 1990. Under the NCPA Ground Lease, the City leases that real property (the "NCPA-Leased Property") to NCPA, and NCPA uses the NCPA-Leased Property for operation of a gas turbine power generation plant and ancillary uses. The term of the NCPA Ground Lease commenced on January 1, 1993 and continues for 50 years; NCPA has a right to extend the lease for another 50 years. In Fiscal Year 2014-15, the City received approximately \$1,025,000 of rent from NCPA under the NCPA Ground Lease.

Pursuant to the NCPA Ground Lease, the City supplies NCPA with recycled water and NCPA agrees to dispose of the recycled water by generating electricity or to irrigating landscaping associated with its generating facilities. NCPA does not pay for the recycled water. The payments received by the City from NCPA under the agreement does not exceed the fair rental value for the NCPA-Leased Property (which is not an asset of the System), and the recycled water provided to NCPA does not have any value (the transfer of recycled water to NCPA avoids the cost of alternative disposal methods). Consequently, the City deposits the payments it receives from NCPA under the NCPA Recycled Water Agreement and the NCPA Ground Lease in its general fund rather than the System Revenue Fund, as it would be required to do if the payments received from NCPA were System Revenues.

No claim has been filed or threatened alleging that all or a portion of the payments received by the City from NCPA and deposited into the City's general fund are System Revenues. Although the City believes that the payments received from NCPA may legally be deposited into its general fund, it cannot predict the outcome of any litigation of the issue. If a court were to conclude that all or a portion of the payments received by the City from NCPA were System Revenues, then the City would be obligated to deposit future such payments into the System Revenue Fund rather than the City's general fund, and, because the statute of limitations applicable to any such claim would be three years, the City could be obligated to reimburse the System Revenue Fund for any such payments for the preceding three years. The obligation to deposit all or a portion of the NCPA payments into the System Revenue Fund would obviously benefit the System. However, if the City were unable to reimburse the System Revenue Fund, the City could be obligated to rebate to System customers an amount equal to three years' of rates and charges attributable to the payments from NCPA that were held to be System Revenues. The City believes that any such obligation to reimburse System customers would not adversely impact its ability to make the Installment Payments when due.

See "RISK FACTORS - Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges."

Historical Operating Results

The following table sets forth historical revenues, expenses and debt service coverage of the System, based on the City's audited financial statements for Fiscal Years 2010-11 through 2014-15. The coverage ratios have been computed in accordance with the requirements of the Existing Parity Obligations, including the definitions of System Net Revenues and Operation and Maintenance Costs.

Table 8
City of Lodi
Wastewater System
Historical Operating Results and Debt Service Coverage
Fiscal Years 2010-11 through 2014-15

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Operating Revenues					
Charges for Services	\$ 13,089,679	\$ 13,280,216	\$ 13,747,216	\$ 14,305,093	\$ 14,714,123
Non-Operating Revenues					
Interest Income	220,600	216,108	301,347	427,308	356,590
Rent					
Other	<u>3,198,194</u>	<u>290,819</u>	<u>256,868</u>	<u>453,798</u>	<u>774,007</u>
Total System Revenues	\$16,508,474	\$13,787,143	\$14,305,431	\$15,186,199	\$15,844,720
Operating Expenses					
Personnel services	\$3,257,618	\$3,130,012	\$3,089,930	\$3,215,190	\$3,116,493
Supplies, Materials and services	1,955,464	2,818,041	1,900,710	2,145,745	2,541,909
Utilities	<u>758,934</u>	<u>710,622</u>	<u>683,508</u>	<u>642,508</u>	<u>676,838</u>
Total Operating Expenses	<u>\$5,972,016</u>	<u>\$6,658,675</u>	<u>\$5,674,148</u>	<u>\$6,003,443</u>	<u>\$6,335,240</u>
System Net Revenues	\$10,536,458	\$7,128,468	\$8,631,283	\$9,182,756	\$9,509,480
Parity Debt Service					
2003 Installment Payments	\$381,393	\$379,170	\$381,122	\$3,280,111 ⁽¹⁾	
2004 Installment Payments	2,147,600	2,139,350	1,705,213	98,321	98,326
2007 Installment Payments	1,588,750	1,599,050	1,598,950	1,603,550	1,602,850
2012 Installment Payments				1,921,700	1,970,350
Total Parity Debt Service	\$4,117,743	\$4,117,570	\$4,059,804	\$6,903,682	\$3,671,526
Debt Service Coverage	2.56	1.73	2.13	1.33	2.59
Non-Operating Expenses					
Transfers (In)/Out	<u>\$1,451,480</u>	<u>(778,092)</u>	<u>1,451,480</u>	<u>1,318,000</u>	<u>1,068,000</u>
Total Non-Operating Expenses	1,451,480	(778,092)	1,451,480	1,318,000	1,068,000
Net Cashflow Before Capital Expenditures	\$ 4,967,234	\$ 3,788,990	\$ 3,119,999	\$ 961,072	\$ 4,769,954

(1) Reflects optional prepayment of 2003 Installment Payments from available funds. Without pre-payment, debt service coverage would have been 2.33 in Fiscal Year 2013-14.

Source: City of Lodi Financial Report

System Reserves.

The Wastewater Fund cash balance at June 30, 2015 was approximately \$13.8 million. The Operating fund cash balance was approximately \$5.6 million and significantly exceeded the reserve policy goal of 25% of operating expenses, which was established by the City Council. The \$13.8 million noted above also includes the Rate Stabilization Fund reserve of \$500,000, \$0.8 million set aside for capital improvements through the City Impact Mitigation Fee program and an additional

\$6.9 million designated for infrastructure replacement, but which could also be used for operations or debt service. The following table shows historical funding levels for certain System reserves.

Table 9
Historical Reserve Balances
(in millions)

<u>Fund</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating	\$6.1	\$6.5	\$4.3	\$5.6
Rate Stabilization	0.5	0.5	0.5	0.5
Impact Mitigation	1.4	0.6	0.7	0.8
Capital	<u>5.4</u>	<u>6.8</u>	<u>8.7</u>	<u>6.9</u>
Total	\$13.4	\$14.4	\$14.2	\$13.8
 25% Operating Reserve Goal	 \$1.7	 \$1.6	 \$1.6	 \$1.5

Projected Operating Results and Debt Service Coverage

The City’s estimated projected operating results for the System for the Fiscal Years ending June 30, 2016 through 2020 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the City’s estimate of projected financial results based upon its judgment of the probable occurrence of future events. The assumptions set forth in part in the footnotes to the chart set forth below are material in the development of the City’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

The following table also sets forth debt service coverage ratios with respect to the 2016 Bonds and the Existing Parity Obligations. Such coverage ratios have been computed in accordance with the requirements of the 2016 Installment Purchase Agreement.

Table 10
City of Lodi
Wastewater System
Projected Operating Results and Debt Service Coverage
Fiscal Years 2015-16 through 2019-20

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Operating Revenues					
Charges for Services ⁽¹⁾	\$15,006,000	\$15,486,000	\$15,981,000	\$16,332,000	\$16,691,000
Non-Operating Revenues					
Interest Income ⁽²⁾	59,000	106,000	115,000	59,000	109,000
Other ⁽³⁾	<u>609,300</u>	<u>627,900</u>	<u>646,600</u>	<u>666,400</u>	<u>686,300</u>
Total System Revenues	\$15,674,300	\$16,219,900	\$16,742,600	\$17,057,400	\$17,486,300
Operating Expenses ⁽⁴⁾					
Personnel services	\$3,195,590	\$3,305,000	\$3,417,000	\$3,533,000	\$3,653,000
Supplies, Materials and services	1,849,125	1,930,000	2,014,200	2,101,400	2,195,600
Utilities	<u>662,200</u>	<u>691,000</u>	<u>721,000</u>	<u>753,000</u>	<u>786,000</u>
Other ⁽⁵⁾	\$741,110	\$758,900	\$778,100	\$797,300	\$817,600
Total Operating Expenses	<u>6,448,025</u>	<u>6,684,900</u>	<u>6,930,300</u>	<u>7,184,700</u>	<u>7,452,200</u>
System Net Revenues	\$9,226,275	\$9,535,000	\$9,812,300	\$9,872,700	\$10,034,100
Parity Debt Service					
2004 Installment Payments	\$98,325	\$98,325	\$98,325	\$98,325	\$98,325
2007 Installment Payments	1,606,850	1,605,550	1,613,850	1,616,650	1,609,250
2012 Installment Payments	<u>1,981,800</u>	<u>1,947,100</u>	<u>1,949,300</u>	<u>1,949,100</u>	<u>1,951,400</u>
Total Parity Debt Service ⁽⁶⁾	\$3,686,975	\$3,650,975	\$3,661,475	\$3,664,075	\$3,658,975
Debt Service Coverage	2.50	2.61	2.68	2.69	2.74
Non-Operating Expenses					
Transfers (In)/Out	<u>1,068,000</u>	<u>1,068,000</u>	<u>1,068,000</u>	<u>1,068,000</u>	<u>1,068,000</u>
Total Non-Operating Expenses	\$1,068,000	\$1,068,000	\$1,068,000	\$1,068,000	\$1,068,000
Net Cashflow Before Capital Expenditures	4,471,300	4,816,025	5,082,825	5,140,625	5,307,125

- (1) Charges for services projected to increase annually by 3% for Fiscal Year 2016-17 and thereafter to increase annually by 3% subject to Council approval. Rates after Fiscal Year 2018-19 and beyond are subject to Council approval as well as a new Proposition 218 process.
- (2) Annual interest earnings projected at 1% times the projected average annual fund balance.
- (3) Includes Sewer Tap Fees and Septic Dumping Charges. Sewer Tap Fees and Septic Dumping Charges projected at 3% annual growth rate estimate. Projections do not include any Connection Fees during the projection period.
- (4) Excludes depreciation. Projected to increase annually at varying rates: personnel costs at 3.4%, utility costs at 4.5%, supplies and other at 4.5%, with variations for regulatory studies, etc.
- (5) Includes equipment, rebates, special payments/fees.
- (6) Does not reflect refunding of the Refunded Certificates.

Source: Adopted City Budget estimates for Fiscal Year 2015-16. City of Lodi provided revenue and expense projections for Fiscal Year 2016-17 through Fiscal Year 2019-20.

THE AUTHORITY

The Authority was created in July 2010 by a joint exercise of powers agreement, which was entered into between the City and Industrial Development Authority of the City of Lodi ("IDA"), pursuant to the provisions of the Act. Under the Joint Exercise of Powers Agreement, the Authority is a public entity, separate from the City and the IDA. The debts, liabilities and obligations of the

Authority are not debts, liabilities and obligations of either the City or the IDA. The Authority is administered by a governing board consisting of the members of the Lodi City Council.

RISK FACTORS

The following factors, which represent certain risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the 2016 Bonds. The following is not intended to be an exhaustive list and there can be no assurance made that other risk factors do not currently exist or will not become evident at any future time.

Rate Covenant Not a Guarantee

The ability of the City to make the 2016 Installment Payments and thereby pay the principal of and interest on the 2016 Bonds depends on the ability of the City to generate System Net Revenues in the levels required by the 2016 Installment Purchase Agreement. Although, as more particularly described herein, the City expects that sufficient revenues will be generated through the imposition and collection of impact fees, service fees and other System Revenues described herein, there is no assurance that such imposition of impact fees, service fees, or other System Revenues will result in the generation of System Net Revenues in the amounts required by the 2016 Installment Purchase Agreement. As a result, the City's covenant does not constitute a guarantee that sufficient System Net Revenues will be available to make debt service payments on the 2016 Bonds.

Statutory and Regulatory Impact

Laws and regulations governing treatment and disposal of wastewater are enacted and promulgated by government agencies on the federal, state and local levels. Compliance with these laws and regulations may be extremely costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. See "THE SYSTEM - Environmental Compliance."

Claims against the City for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from assets of the System or from other legally available sources.

Although the City has covenanted in the 2016 Installment Purchase Agreement to fix, prescribe and collect rates, fees and charges during each Fiscal Year at specified levels, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate System Net Revenues in the amounts required by the 2016 Installment Purchase Agreement and to pay the 2016 Installment Payments. Certain potential increasing regulatory standards could materially increase the cost to the City of providing sewer services.

Permit Renewal

The City's current NPDES Permit expires in 2018. While the City does not anticipate that the discharge limits and other requirements for the White Slough Facility as set forth in the current 2013 Permits will be significantly different in the new NPDES and WDR permits when they are issued, there can be no assurances that significant new and potentially more stringent conditions and requirements on the operations of the White Slough Facility will not be imposed in connection with

such renewal. More stringent conditions could result in significant increases in capital and/or operating costs.

Earthquake, Flood or Other Natural Disasters

The occurrence of an earthquake, flood or other natural disaster which resulted in the temporary or permanent closure of major components of the System or resulted in significantly increased costs could materially adversely affect the ability of the City to operate the System or to generate System Net Revenues at the levels required by the 2016 Installment Purchase Agreement .

Flood. Based on flood risk evaluations prepared by the Federal Emergency Management Agency (FEMA) for the City and San Joaquin County, effective October 19, 2009, flood hazards are a constraint to development only in two areas of the City: the area immediately adjacent to the Mokelumne River along the City's northern boundary, and the area around the White Slough Facility. These areas lie within Zone AE, meaning that they are subject to a 1% annual (100-year) flood. Flooding depths in this area are generally greater than three feet. Most of the City lies within Zone X, which describes lands subject to the 0.2% annual (500-year) flood zone or that lie within the 100-year flood zone, but with flooding depths less than one foot.

As describe above, the property on which the White Slough Facility sits within a 100-year flood zone. However, the White Slough Facility itself is constructed at or above the estimated flood elevation.

Projected Operating Results

The Projected Operating Results included herein are based on certain assumptions and forecasts. Any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

Accordingly, the Projected Operating Results are not necessarily indicative of future performance, and the City does not assume any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the City are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the 2016 Bonds are cautioned not to place undue reliance upon the Projected Operating Results. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of System Net Revenues may be materially less than expected and consequently, the ability of the City to make timely payment of the principal of and interest on the 2016 Bonds may be materially adversely affected.

Neither the City's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Projected Operating Results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, Projected Operating Results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, Projected Operating Results.

No Reserve Account

No debt service reserve account has been established with respect to the Bonds.

Limited Recourse on Default

Failure by the City to make the 2016 Installment Payments, when due, constitutes an event of default under the 2016 Installment Purchase Agreement and the Authority is permitted to pursue remedies at law or in equity to enforce the City's obligation to make the 2016 Installment Payments. Although the Trustee, as assignee of the Authority, has the right to accelerate the total unpaid principal component of the 2016 Installment Payments, there is no assurance that the City will have sufficient System Net Revenues to pay the principal component of the 2016 Installment Payments upon acceleration. See also "Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges" below.

Certain Limitations on the Ability of the City to Impose Taxes, Fees and Charges

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision") that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters within the service area of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges.

Article XIID defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the Bighorn Decision, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

The City believes that it has complied with the applicable notice and protest procedures of Article XIID for all increases in its rates and charges approved since the effective date of Article XIID, and that the Bighorn decision will not require any changes in the procedures it has utilized. There has not been nor is there any pending challenge to any of the City’s fees and charges approved since the effective date of Proposition 218.

In addition, Article XIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge

imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this Official Statement, the City is unaware of any fees relating to the Sewer System that would have to be reduced or eliminated because of Proposition 26.

Articles XIII A, XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

The City covenants in the 2016 Installment Purchase Agreement that it will, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 110% of the Annual Debt Service on all Parity Debt in such Fiscal Year; provided, an adjustment will be made to the amount of System Net Revenues for amounts deposited into or withdrawn from the Rate Stabilization Fund; provided that, for purposes of such calculation, the amount of System Net Revenues before any credits for transfers from the Rate Stabilization Fund to the System Revenue Fund may not be less than 100% of Annual Debt Service for such Fiscal Year. In the event that proposed increased service charges cannot be imposed as a result of a majority protest, such circumstances may adversely effect the ability of the System to generate revenues in the amounts required by the Installment Purchase Agreement , and to make 2016 Payments representing principal and interest with respect to the 2016 Bonds.

See "THE SYSTEM - Sale of Recycled Water" for a description of the application of revenues from sale of recycled water by the City to NCPA.

Effect of Bankruptcy

In addition to the limitations on remedies contained in the 2016 Installment Purchase Agreement and the Indenture, the rights and obligations under the Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2016 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. The opinion of Bond Counsel notes that the rights of the owners of the 2016 Bonds and the enforceability of the 2016 Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

Loss of Tax Exemption

The City has covenanted in the 2016 Installment Purchase Agreement, and the Authority has covenanted in the Indenture, that each will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest or the 2016 Bonds under Section 103 of the Internal Revenue Code of 1986. In the event either the City or the Authority fails to comply with the foregoing tax covenant, interest or the 2016 Bonds may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the date of issuance of the Bonds. See "TAX MATTERS".

Secondary Market

There can be no guarantee that there will be a secondary market for the 2016 Bonds or, if a secondary market exists, that any 2016 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the 2016 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2016 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the 2016 Bonds or obligations that present similar tax issues as the 2016 Bonds.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

LITIGATION

Litigation Concerning the 2016 Bonds. To the knowledge of the City, there is no controversy or litigation of any nature now pending or threatened restraining or enjoining the execution and delivery of the 2016 Bonds, the Indenture, the 2016 Installment Purchase Agreement or in any way

contesting or affecting the validity of the 2016 Bonds or any proceedings of the City or the Authority taken with respect to the execution and delivery thereof.

Prior Environmental Litigation Involving the City. The City of Lodi initiated litigation in 2000 to address PCE and TCE contamination that threatened the City's water supply. The litigation exposed the City to several economic risks associated with: 1) the costs of the litigation; 2) the financing of the litigation; and 3) the City's wastewater system because the PCE had been discharged by private parties to, and may have leaked from the City's wastewater collection system. The City has now fully resolved the environmental clean-up litigation, and all of the associated litigation that arose out of the economic risks referenced above. In exchange for money to fund the clean-up, the settlements require the City to perform the clean-up. The City's contract engineer estimates that its total clean-up cost is approximately \$18.6 million as of June 30, 2015. The City has a total of \$14.8 million in settlement and other rate funds set aside to meet this cost. Given that the cost is over a 30 year operations and maintenance horizon, the City believes it has all the savings it needs to meet this liability. The City does not expect that any other funds from the System will be used for the costs relating to the clean-up.

APPROVAL OF LEGALITY

The 2016 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California.

Payment of the fees and expenses of Bond Counsel and Underwriters' Counsel is contingent upon execution and delivery of the 2016 Bonds.

FINANCIAL STATEMENTS

Macias, Gini & O'Connell, Certified Public Accountants (the "Auditor"), audited the financial statements of the City for the Fiscal Year ended June 30, 2015. The Auditor's examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See "APPENDIX B – Audited Financial Statements of the City for Fiscal Year Ended June 30, 2015."

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the City.

RATINGS

Standard & Poor's and Fitch are expected to assign the 2016 Bonds the long-term ratings of "___" and "___," respectively.

The ratings reflect only the respective views of the rating agencies, and any explanation of the significance of such ratings may be obtained only from such rating agencies as follows: Standard & Poor's, 55 Water Street, 38th Floor, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that the ratings will remain in effect

for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or either of them, if, in their respective judgments, circumstances so warrant. The City undertakes no responsibility to oppose any such revisions or withdrawal. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2016 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2016 Bonds to provide certain financial information and operating data relating to the City by not later than 9 months after the end of each fiscal year of the City (currently June 30th), commencing with the report for the 2015-16 Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“EMMA”). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in “APPENDIX D– Form of Continuing Disclosure Agreement,” attached to this Official Statement. These covenants have been made in order to assist the underwriters of the 2016 Bonds in complying with Securities Exchange Commission Rule 15c2 12(b)(5).

The City has entered into a number of continuing disclosure undertakings in connection with City obligations, including obligations payable from the City’s General Fund, as well as obligations payable from the revenues relating to the City’s electric, wastewater and water utilities. During the past five years, the City has prepared continuing disclosure reports pursuant to these undertakings and transmitted such reports to its dissemination agent in December or January following City Council receipt of the Comprehensive Annual Financial Report. However, in certain years the reports were filed on EMMA after the date required, and frequently certain of the reports were not filed so as to be linked on EMMA with all of the CUSIP numbers for the respective City obligations. The City corrected the filings on EMMA (so that the appropriate reports are “linked” on EMMA to the City obligations to which they relate). The City also will confirm that the dissemination agent files timely reports in the future.

In addition, on several occasions the City failed to make “material event” filings with respect to changes in the ratings of bond insurers of City obligations, as well as upgrades of the underlying ratings of certain obligations. Current ratings of the City’s obligations are available on EMMA.

The City filed a self-report under the Securities and Exchange Commission’s Municipalities Continuing Disclosure Cooperation (“MCDC”) initiative regarding statements made in certain of the City’s previous official statements concerning the City’s compliance with its continuing disclosure requirements.

FINANCIAL ADVISOR

Lamont Financial Services Corp. (the “Financial Advisor”) has assisted the City with various matters relating to the planning, structuring and delivery of the 2016 Bonds. The Financial Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Financial Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the 2016 Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the 2016 Bonds at a price of \$ _____ (consisting of the aggregate principal amount of the Series 2016 Bonds less an Underwriters' discount of \$ _____ and plus net original issue premium of \$ _____).

The Purchase Contract for the 2016 Bonds provides that the Underwriters will purchase all the 2016 Bonds, if any are purchased. The 2016 Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than the public offering price stated on the inside cover page of this Official Statement, and such public offering price may be changed, from time to time, by the Underwriters.

J.P. Morgan Securities LLC ("JPMS") provided the information contained in this paragraph for inclusion in this Official Statement and the City does not take any responsibility for or make any representation as to its accuracy or completeness. J.P. Morgan Securities LLC ("JPMS"), the Underwriter of the 2016 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2016 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2016 Bonds that such firm sells.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the 2016 Bonds, The Arbitrage Group, Inc. Houston, Texas, independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay the applicable redemption price of and accrued interest on, the Refunded Certificates on their respective payment and redemption dates.

EXECUTION AND DELIVERY

The execution and delivery of this Official Statement have been authorized by the Board of Directors of the Authority and the City Council of the City.

LODI PUBLIC FINANCING AUTHORITY

By : _____
Executive Director

CITY OF LODI

By : _____
City Manager

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING
THE CITY OF LODI**

The City of Lodi is located in the County of San Joaquin (the “County”) between Stockton and Sacramento, and adjacent to U.S. Highway 99, approximately 90 miles east of San Francisco. The City was incorporated as a General Law City on December 6, 1906.

The City operates under a City Council-Manager form of government and provides the following services: public safety (police, fire and graffiti abatement), public utilities services (electric, water and sewer), transportation services (streets, flood control and transit), leisure, cultural and social services (parks and recreation, library, and community center), and general government services (management, human resources administration, financial administration, building maintenance and equipment maintenance).

Population. The following chart indicates the growth in the population of the City since 2006.

**CITY OF LODI
POPULATION
For Fiscal Years 2006 through 2015**

Fiscal Year	Population
2006	62,817
2007	63,395
2008	63,362
2009	63,313
2010	62,134
2011	62,346
2012	62,886
2013	63,239
2014	63,496
2015	63,719

Source: State of California, Department of Finance.

Employment. The following table contains certain information concerning employment in the City and State.

**CITY OF LODI
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
Averages for each of the Calendar Years 2010-2014**

	2010	2011	2012	2013	2014
Employment	27,600	24,300	24,900	25,500	25,900
Unemployment	4,200	4,400	3,900	3,400	2,900
Civilian Labor Force	31,800	28,700	28,800	28,800	28,800
Unemployment Rate	13.2	15.3	13.6	11.7	10.0
State Unemployment Rate	12.2	11.7	10.4	8.9	7.5

Source: State of California, Employment Development Department.

Major Employers. There are several manufacturing plants in the community producing a wide variety of products: cereals, food mixes, wines, rubber products, steel framing and industrial shelving, foundry items, recreational vehicle components, electronic substrates, and plastic piping and injection molded products. In addition, Lodi has a number of small businesses located within the City. The main businesses in Lodi, however, are food processes and plastics.

The largest employers in Lodi as of June 30, 2015 are as follows:

**CITY OF LODI
LARGEST EMPLOYERS**

Employer	Business	Number of Employees
Lodi Unified School District	Education	3,090
Lodi Memorial Hospital	Health Care	1,386
Pacific Coast Producers	Can Manufacture and Cannery	2,800
Blue Shield	Health Care	780
ConAgra	Specialty Bakery	485
General Mills*	Cereals and Food Mixes	280
City of Lodi	Government	391
Walmart	General Merchant	190
Farmers & Merchants Bank	Banking	192
Target	General Merchant	177

Source: City of Lodi.

* General Mills closed all operations in Lodi in December of 2015.

Building Permit Activity. The following table shows the value of building permits issued in the City between 2008 and 2015.

**CITY OF LODI
BUILDING PERMIT VALUATION
for Fiscal Years Ended June 30, 2011 through 2015**

	2011	2012	2013	2014	2015
Residential Valuation					
Single Family	\$1,204,695	\$1,526,810	\$4,402,870	\$5,587,759	\$10,483,842
Multifamily	0	0	0	0	0
TOTAL	<u>\$1,204,695</u>	<u>\$1,526,810</u>	<u>\$4,402,870</u>	<u>\$5,587,759</u>	<u>\$10,483,842</u>
New Dwelling Units					
Single Family	8	6	17	21	37
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>8</u>	<u>6</u>	<u>17</u>	<u>21</u>	<u>37</u>

Source: City of Lodi.

Taxable Sales. The following table indicates taxable transactions in the City by type of business during the calendar years 2010 through 2014.

**CITY OF LODI
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
for Calendar Years 2010 through 2014
(in Thousands of Dollars)**

	2010	2011	2012	2013	2014 ⁽¹⁾
Motor Vehicle & Parts Dealers	\$ 76,930	\$ 75,817	\$ 90,980	\$ 97,091	\$ 87,268
Home Furn. & Appliances	13,634	13,496	12,645	14,057	13,243
Bldg. Mat. & Garden Equip. & Supplies	54,603	59,608	67,512	81,299	63,216
Food & Beverage Stores	43,928	44,148	45,769	47,400	35,322
Service Stations	87,959	104,588	103,454	104,893	82,760
Apparel Stores	19,441	20,055	21,495	23,016	16,656
General Merchandise	110,821	147,812	187,708	192,894	132,239
Food Services & Drinking Places	75,517	79,322	85,677	91,752	73,915
Other Retail Stores	<u>48,978</u>	<u>50,111</u>	<u>50,300</u>	<u>48,896</u>	<u>36,346</u>
Retail and Food Services Total	\$531,811	\$594,957	\$665,538	\$701,339	\$540,968
All Other Outlets	<u>213,405</u>	<u>172,204</u>	<u>140,223</u>	<u>169,983</u>	<u>130,561</u>
TOTAL ALL OUTLETS	\$ 745,216	\$ 767,162	\$ 805,762	\$ 871,322	\$ 671,528

⁽¹⁾ First, Second and Third Quarter of 2014
Source: California State Board of Equalization.

Community Facilities. The City has a central library, one community center, 26 parks and five specific use facilities, covering 263 developed areas and 110 undeveloped areas, and 16 playgrounds. Lodi Lake Park is connected to the Mokelumne River and features boating, fishing, beach swimming, boat rentals, nature walks, group picnic sites, an RV park and the Discovery Nature Center. Micke Grove Park is located between Lodi and Stockton. The park is home to a Japanese garden, the San Joaquin Historical Museum, rides, picnic areas, and a five-acre zoo featuring mammals, birds, reptiles and vertebrates.

Community recreation programs cover a wide range of interests and activities including youth and adult sports and special interest classes, youth-at-risk programs, aquatics, special events, camps/clinics and tournaments.

Lodi Health, a subsidiary of Adventist Health operates a 270-bed, non-profit, independent, acute-care hospital to the residents of Lodi. Its mission is to provide quality medical care, education and support services to the community. Two hospital campuses and six satellite clinics are used to provide a variety of inpatient, outpatient, urgent, emergency and primary care services.

Education. The Lodi Unified School District provides K-12 and special education programs. The area also is served by several private and parochial schools. The University of the Pacific, San Joaquin Delta Community College, California State University-Stanislaus/Turlock/Stockton Center, and the University of San Francisco satellite center are all within a 20-minute drive of Lodi. The University of California-Davis, California State University-Sacramento and the University of Southern California satellite center are within an hour's drive from Lodi.

Transportation. Lodi is served by Interstate highway 5 and State highways 12 and 99 and is located on the main line of the Union Pacific Railroad. Lodi has Amtrak passenger rail service and local, regional and national bus service. A deep-water seaport and airport with commercial passenger travel are located approximately 15 miles south.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



**CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

CITY OF LODI, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2015

BOB JOHNSON, MAYOR
MARK CHANDLER, MAYOR PRO TEM
DOUG KUEHNE, COUNCILMEMBER
JOANNE MOUNCE, COUNCILMEMBER
ALAN NAKANISHI, COUNCILMEMBER
STEVE SCHWABAUER, CITY MANAGER

Prepared by the Financial Services Division
Ruby Paiste, Financial Services Manager
Derrick Cotten, Supervising Accountant

**CITY OF LODI
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2015**

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**CITY OF LODI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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CITY COUNCIL

BOB JOHNSON, Mayor
MARK CHANDLER, Mayor Pro
Tempore
COUNCILMEMBERS:
DOUG KUEHNE
JOANNE MOUNCE
ALAN NAKANISHI

CITY OF LODI
CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 333-6706
FAX (209) 333-6795

STEVE SCHWABAUER
City Manager

JENNIFER FERRAIOLO
City Clerk

JANICE MAGDICH
City Attorney

February 3, 2016

**To the Honorable Mayor, Members of the City Council and the City Manager
of the City of Lodi:**

The Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015, is hereby submitted. This report is provided to present the financial position, changes in financial position, and where applicable, cash flows of the City of Lodi (City) as of and for the year ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America (GAAP). The report conforms to the highest standards of financial reporting as established by the Governmental Accounting Standards Board (GASB), for reporting by State and local governments. The responsibility for the accuracy, fairness and completeness of the report rests with the City.

This report consists of management’s representations concerning the finances of the City. Consequently, 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 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. We believe that the information is accurate in all material respects, and that it is presented in a manner designed to fairly present the financial position and changes in financial position of the City. In addition, we believe that all disclosures necessary to enable the reader to gain a full understanding of the City’s financial activities have been included.

This letter of transmittal is designed to complement the Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor’s report.

THE REPORTING ENTITY AND SERVICES PROVIDED

The funds included in the CAFR are those deemed dependent upon the City and controlled by the City Council and reflect the City’s financial reporting entity in accordance with GASB Statement No.14, as amended by GASB Statement No. 61.

The City was incorporated December 6, 1906, as a municipal corporation under the general laws of the State of California. The City operates under a Council-Manager form of government. Under the Council-Manager form of government, policy making and legislative authority are entrusted to the City Council. The City Council consists of five members elected at-large by its voters for four-year terms, with no term limits. Elections are held

in November of even-numbered years. Each year the Mayor and Mayor Pro-Tempore are chosen by the members of the City Council. The Mayor presides at Council meetings and acts as the ceremonial head of the City, the Mayor Pro Tempore serves as Mayor in his or her absence. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for appointing department heads, and overseeing the operations of the City. The City Manager, City Attorney and the City Clerk are appointed by the City Council.

The City provides a wide range of municipal services including public safety (police, fire and graffiti abatement), public utilities services (electric, water and wastewater), transportation services (streets, flood control and transit) leisure, cultural and social services (parks and recreation, library and community center), and general government services (management, community development, human resources administration, financial administration, building maintenance and equipment maintenance).

Several municipal services are provided through other government agencies, private companies or public utility companies, including:

	Number of Facilities
Elementary and Secondary Schools	18
Sanitation (solid waste) and Cable Television	3
Ambulance	1
Gas and Telephone	2

ECONOMIC CONDITION AND OUTLOOK

The City is located in the San Joaquin Valley between Stockton, 10 miles to the south, and Sacramento, 35 miles to the north, and adjacent to U.S. Highway 99. The City population is 63,719 and is contained in an area of 13.98 square miles. The City has grown steadily since incorporation in 1906. The City's growth is provided for in both the General Plan and the City's growth control ordinance that allows an increase in population of 2% per year until the growth limits are reached.

The City is built on a strong and broad based local economy. The City is known for its Zinfandel wine. It is an authentic dynamic wine region with over 80 wineries within 10 miles of downtown. The employment base is diversified with food processing, packaging, plastic and service industries.

In addition, the City has a wide range of small, financially sound businesses that add to the economic strength of the City. These companies range in size from 10 to 150 employees and produce a wide variety of products, services and commodities.

Over the past several years, there has been an increase in industrial and residential development that has been unprecedented since the early 1980s. This new development combined with the growing strength of the wine/grape industry is a positive indicator for the City. The City's focus on economic development has encouraged numerous big industries to move to the City that collectively created hundreds of new jobs.

Economic Development

The City continues to be committed to promoting economic development (business retention and attraction) and expanding the tax base to fund City services rather than increase taxes to pay for these services. The City has provided for additional retail sales and commercial activity with approval of new retail developments adjacent to Highway 99 and Harney Lane in the southeast corner of the City, and with a large retail development in the southwest corner of the City. The City is also committed to an Enterprise Zone with San Joaquin County.

MAJOR GOALS, OBJECTIVES AND PROJECTS

To assist the citizens of the City in understanding where the City intends to allocate available resources, the City Council, the City Manager and Department Heads established in 2004 a hierarchy of major aspirational goals, objectives and major projects that support and re-enforce the City's mission statement. Council then set project specific goals at a series of workshops in 2015.

1). Aspirational Goals

Four major City goals were established as policy direction and focal points for the efforts of City staff. These goals include:

- Ensure a High Quality of Life and a Safe Environment for Citizens
- Ensure Efficient and Productive City Organization
- Ensure Public Trust, and
- Ensure the Development of the Lodi Economy for a Fiscally Sound City Organization

City Council, the City Manager and Department Heads established nineteen major City objectives:

- | | |
|---|---|
| Maintain City's Sense of Community | Provide Employee Training and Education |
| Provide for a Balanced Community | Evaluate Telecommunications Opportunities |
| Enhance Access through Implementation of Information Systems Strategic Plan | Provide Resources to Maintain City's Infrastructure |
| Promote Urban Forestry | Promote Public Relations and Marketing Efforts |
| Attract, Retain and Invest in a Quality City Work Force | Ensure Open and Accessible Public Meetings |
| Encourage Public Arts, Cultural and Recreational Opportunities | Pursue Efforts to be Entrepreneurial |
| Provide Appropriate and Sufficient City Facilities | Improve Customer Service |
| Develop Short and Long Range Operational Plans | Continue to use Partnerships to Advance City's Objectives |
| Develop Effective Records Management Program | Provide a Balanced Budget and Adhere to Adopted Policies |
| Promote Commercial/Industrial Base | |

2). Project Specific Goals

Projects represent the foundation of the planning statements for the City. These projects are designed to accomplish specific objectives and become the focus for organization-wide effort. Council set the following priorities and categories in 2015:

- Economic development for "shovel ready" land
- Economic development and incentive program to focus on underutilized parcels
- Public Safety, Gang Reduction Intervention Program, training and increase in staffing

Fiscal sustainability, asset preservation, CALPERS and Other Post-Employment Benefits
East side rehabilitation, incentive programs and infrastructure

Additional priorities that did not fit into the above categories include 1) addressing homelessness issues, 2) providing downtown Wi-Fi and music and 3) beautification of highway overpasses.

As discussed above, economic revitalization continued to be an active focal point of the City in 2014-15. The following projects are underway and will see significant progress or be completed in 2014 or 2015.

Fire Station #2

The City awarded a \$4.2 million construction contract in August 2014 for building a replacement for the existing Fire Station #2. Construction is substantially complete and the new building will be occupied in January 2016.

Lodi Shopping Center

The Lodi Shopping Center development in the southwestern corner of the City has cleared all legal hurdles and is currently under construction. Anchored by a WalMart supercenter, the site will encompass 12 building pads and approximately 340,000 square feet of retail space. Construction began on the main building and a number of smaller pads in 2015.

Reynolds Ranch

Reynolds Ranch is a planned development on the south eastern edge of the city that will eventually incorporate residential and commercial development. Development continues with additional retail space completed in 2014 and 2015. Construction continues on a number of pads and tenants should be in place in 2016. Build-out of the commercial space will occur over the next 10 years.

Residential Development

The City has five residential development projects that have been approved and total about 1,100 dwelling units. Dwelling units are fairly evenly divided among low, medium and high density units. Sales in one of the five projects are ongoing in 2015. Construction is expected in two of the remaining four projects in the coming year.

Water Meters and Water Infrastructure

Under state law, all residential housing must be billed for water usage on a metered basis by 2025. The City has embarked on a program to install meters on approximately 14,000 parcels over an eight year period. A portion of this project will also include moving mains and service connections from alleys and rear yards to streets and front yards. Additionally, the City will be appropriately sizing water mains as part of this project. Construction began during FY 2009-10 and will continue through FY 2017-18. To date, approximately 10,900 meters have been installed. Estimated cost for the complete program is \$42.5 million.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

A detailed understanding of the financial position and change in financial position of the City is provided in the following sections of this report. The following is a brief description of the City's financial condition, management practices and control techniques.

Basis of Accounting

Basis of accounting refers to the policy as to when revenues, expenditures or expenses are recognized in the financial accounts and reported in the financial statements. The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liability incurred. For proprietary fund types, the City uses the accrual basis of accounting. As such, the measurement focus is on operating income in addition to financial position and changes in financial position. Revenues are recognized when earned and expenses are recognized as the liability is incurred.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting System and Budgetary Control

In developing the City's accounting system, consideration is given to the adequacy of the internal controls. The objective of the City's internal accounting controls is to provide reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of the controls should not exceed the benefits likely to be derived and that estimates and judgments are required to be made by management in evaluating these costs and benefits.

In addition, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is responsible for the preparation of the budget and its implementation after adoption. The City Council has the authority to amend the budget at any time during the year. The City Manager has the authority to make adjustments to the budget as long as those changes will not have a significant policy impact nor affect budgeted year-end fund balances. During fiscal year 2014-15, the City Council and City Manager made several supplemental appropriations for operating budgets and capital projects.

Fund Balance

It is the City's goal to target and maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds, and at least 25% of operating expenses. Based on a reserve policy adopted in March 2014, the target for the Electric enterprise fund working capital is \$23.7 million for fiscal year 2014-15. The goals allow for variations from year-to-year to account for economic and fiscal changes. The General Fund maintained an unassigned fund balance of \$12,107,040 or 28.65%, of revenues at the end of fiscal year 2014-15.

Cash Management

The City has written investment policies that address a wide range of investments. These policies describe the City's investment objectives, investment authority, allowable investment vehicles, maturity terms and eligible financial institutions. They also describe the City's capital preservation and cash management objectives. As provided in the policy, investments are intended to be held until maturity and investment terms are to be consistent with the City's cash flow needs. Investment reports are issued quarterly to the City Manager and City Council to provide detailed information regarding the City's investments and compliance with City policy and state law. An important objective of the City's investment policy is to achieve a reasonable rate of return on public funds while minimizing risks and preserving capital. In evaluating the performance of the City's investment portfolio, investments are expected to yield a rate of return that regularly meets or exceeds an average rate of return on a three-month U.S. Treasury Bill.

Appropriation Limitation

Article XIII B of the Constitution of the State of California (Proposition 4) provides for the limitation of expenditures by state and local governments. Under the provisions of this article, City appropriations funded through tax sources may not exceed Fiscal Year 1979 appropriation levels except as adjusted for increases in population and the growth in the California per capita income or non-residential assessed valuation due to new construction within the City.

Excluded from the limitation are appropriations funded through charges for services, fines and forfeitures, grants, transfers of service responsibilities between government agencies and indebtedness incurred prior to Fiscal Year 1979. Pursuant to subsequent legislation adopted after Article XIII B, the City is required to annually establish and adopt its appropriations limit by resolution. For 2014-15, the City's appropriations subject to limit were \$34,129,895 and the appropriation limit was \$86,477,897, leaving appropriations at \$52,348,002 below the limit.

Debt Administration

At June 30, 2015, the City had outstanding Certificates of Participation and Revenue Bonds of \$169,717,617. These liabilities are discussed in Note 8 of the Basic Financial Statements and summarized below.

In 1999, the Electric Utility issued \$43.96 million Certificates of Participation to finance the costs of certain improvements to the distribution and transmission facilities of the City's electric system. These bonds were refunded by the issuance of the 2002 Electric Systems Revenue Certificates of Participation. The 2002 bonds were refunded with the 2008 Electric Systems Revenue Certificates of Participation thereby eliminating a variable rate obligation.

In 2004, the City issued \$27,360,000 in Wastewater Certificates of Participation (2004A) to finance the costs of improvements to the wastewater collection, treatment and disposal system. These bonds were partially refunded with the 2012 Refunding Wastewater Revenue Bonds, Series A.

In 2007, the City issued \$30,320,000 in Wastewater Certificates of Participation (2007A) to finance Phase III of the wastewater improvements and to refund the 1991 Certificates of Participation.

On July 24, 2008, the City issued the \$60,685,000 2008 Electric System Revenue Certificates of Participation to provide funds to currently refund the outstanding \$46,760,000 principal amount of the Electric System Revenue Certificates of Participation 2002 Series A Variable Rates Certificates (the "Refunded 2002 Certificates"); and to pay certain costs relating to the termination of a swap agreement relating to the Refunded 2002 Certificates.

On October 1, 2010, the City issued \$9,015,000 Water Revenue Certificates of Participation, 2010 Series A and \$29,650,000 Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system.

On September 1, 2012, the City issued \$19,080,000 Refunding Lease Revenue Bonds (2012 LRB) to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation.

The City also issued the \$17,105,000 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City.

The City's debt management policy includes a commitment to monitor all forms of debt annually during the preparation of the City's Financial Plan and Budget to ensure compliance. Also, the City will generally conduct financing on a competitive basis, will seek an investment grade rating on any direct debt and will obtain credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost effectiveness.

Interim Financial Reporting

Monthly financial reports are prepared to present the City's financial condition and changes in financial position. These executive reports are organized using the "pyramid" approach. As such, the highest level of summary data is presented first, followed by progressively greater levels of detail. The reports provide current period and year to date revenues, expenditures and encumbrances for all activities and funds, including year- to-date estimates and variances. The reports are available to all departments.

Single Audit

The City is subject to financial and compliance reporting required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, which is a requirement of all local and state governments receiving and expending in excess of \$500,000 of federal financial awards annually. As part of the Single Audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial awards, as well as to determine that the City has complied with certain applicable laws and regulations governing federal funds. The Single Audit report is published as part of the annual financial statements for easy reference.

Competitive Bidding Policy

All required purchases for materials, equipment and services during 2014-15 were made pursuant to competitive bidding procedures as established under the City's purchasing ordinance. Contracts for construction projects were awarded pursuant to competitive bidding procedures established by the State of California for projects in excess of \$5,000.

Risk Management

The City is self-insured for dental care, workers' compensation, general liability and unemployment insurance. General liability and workers' compensation are administered by outside agencies. The City administers unemployment insurance. Self-insurance transactions are accounted for under the Insurance Funds. At June 30, 2015, the Insurance Fund had a net position of \$4,053,434.

INDEPENDENT AUDIT

The City Council requires an annual audit of the records and accounts of the City by an independent certified public accountant. To ensure proper internal control, periodically the City conducts a request for proposal (RFP) process for auditing services. The accounting firm of Macias Gini & O'Connell LLP was selected to perform this audit. The independent auditor's report precedes the basic financial statements and concludes that the City's basic financial statements are presented fairly, in all material respects, in accordance with GAAP.

CERTIFICATES OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. These Certificates of Achievement are prestigious national and state awards recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last twenty-two consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA this year.

ACKNOWLEDGMENTS

As always the professionalism, dedication and efficiency of the Financial Services Division Accounting staff made it possible for the timely preparation of this report and are to be commended. I would also like to personally thank Ruby Paiste, Financial Services Manager, Derrick Cotten, Supervising Accountant, Tyson Mordhorst, Senior Programmer Analyst and Nancy Spinelli, Finance Technician. Their work in preparing this year's CAFR is greatly appreciated.

I would also like to thank you for your continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jordan Ayers". The signature is fluid and cursive, with the first name "Jordan" being more prominent than the last name "Ayers".

Jordan Ayers
Deputy City Manager/Internal Services Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

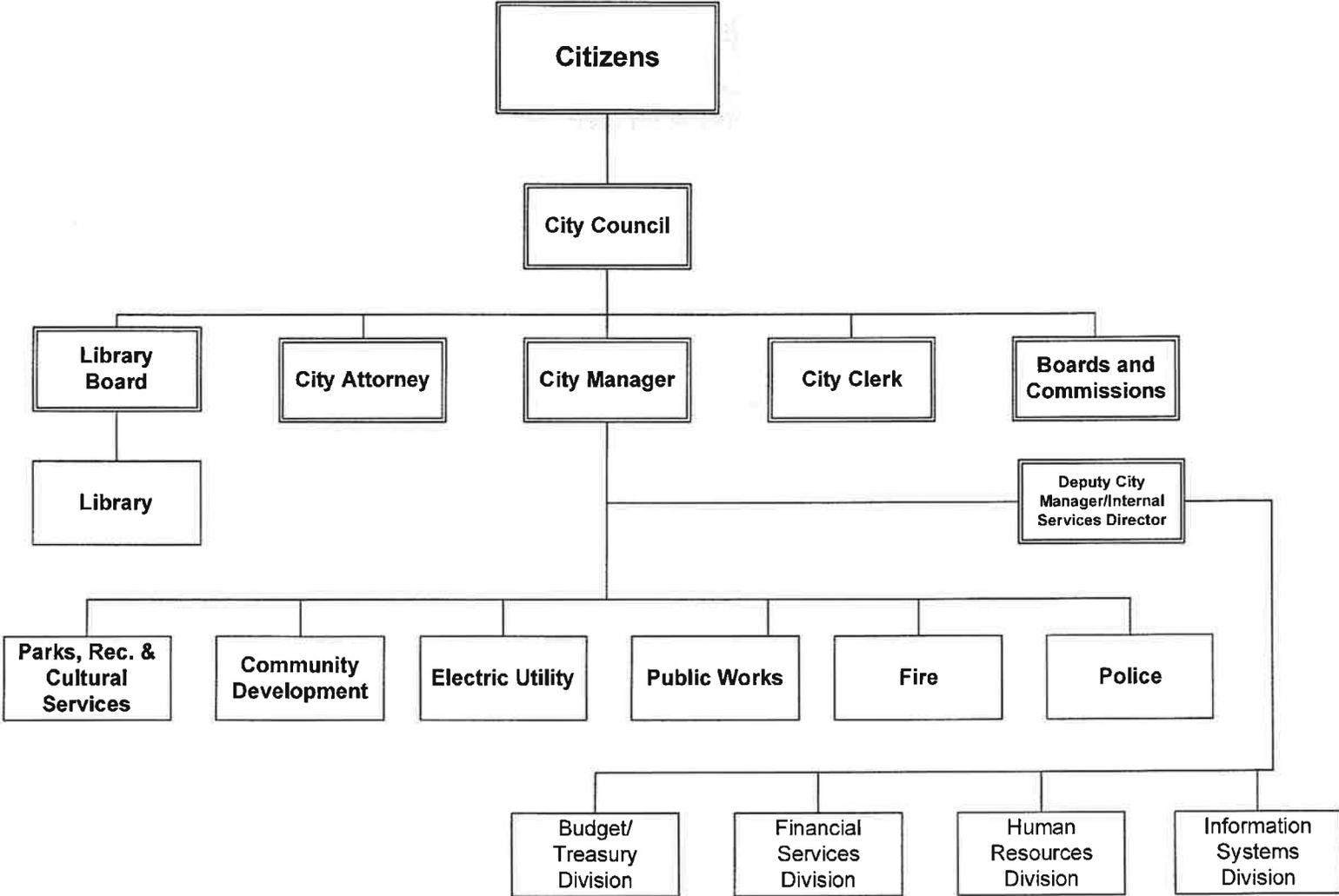
**City of Lodi
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

City of Lodi



FY 2014-2015

DIRECTORY OF OFFICIALS AND ADVISORY BODIES

CITY COUNCIL

Bob Johnson
Mark Chandler
Doug Kuehne
JoAnne Mounce
Alan Nakanishi

Mayor
Mayor Pro Tempore
Council Member
Council Member
Council Member

ADVISORY BODIES

Planning Commission
Library Board
Recreation Commission
Site Plan and Architectural Review Committee

Lodi Improvement Committee
Lodi Arts Commission
Youth Commission
Lodi Senior Citizens' Commission

PRINCIPAL ADMINISTRATIVE OFFICERS

Steve Schwabauer
Jordan Ayers
Janice Magdich
Jennifer Ferraiolo
Dean Gualco
Larry Rooney
Jeff Hood

City Manager
Deputy City Manager
City Attorney
City Clerk
Library Services Director
Fire Chief
Parks, Recreation &
Cultural Services Director
Public Works Director
Electric Utility Director
Community Development Director
Interim Police Chief

Wally Sandelin
Elizabeth Kirkley
Steve Schwabauer
Tod Patterson

FINANCIAL SECTION

The Financial Section is comprised of the Independent Auditors' Report, Management Discussion and Analysis, Basic Financial Statements, including the notes, required Supplementary Information, and Supplementary Information which includes Combining and Individual Fund Statements and Schedules.



Certified
Public
Accountants

Sacramento
Walnut Creek
Oakland
San Francisco
Los Angeles
Century City
Newport Beach
San Diego

Independent Auditor's Report

The Honorable Members of City Council
City of Lodi, 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 Lodi, California (City), as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the basic financial statements, effective July 1, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedule of pension contributions, the schedule of funding progress for the OPEB plan, and the schedule of revenues, expenditures and change in fund balance – budget and actual – for the General Fund 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 accompanying introductory section, combining and individual fund statements and schedules, statistical section, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the continuing disclosures section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of federal awards 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 fund statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016 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 the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
February 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report is presented as discussion and analysis of the financial performance of the City of Lodi (City) for the year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets and the deferred outflows of resources of the City exceeded its liabilities and the deferred inflows of resources at the close of the fiscal year by \$171,425,284 (net position). Of this amount, \$73,254,063 is unrestricted deficit.
- The City's total net position decreased by \$12,863,903 in fiscal year 2015.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$24,436,361, an increase of \$3,293,392 in comparison with the prior year. Of this amount, \$12,107,040 is available for spending at the City's discretion (unassigned fund balance).
- At the close of the fiscal year, fund balance for the general fund was \$12,478,553, of which \$12,107,040 is unassigned or 28.65% of total general fund revenues of \$42,254,075.
- The City's total long-term liabilities decreased by \$9,528,619 (4.45%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the Basic Financial Statements. This report also includes other **supplementary information** in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The governmental activities of the City include general government, public protection, public works, community development, library, parks and recreation. The business-type activities of the City include electric operations, wastewater operations, water operations and public transit operations.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining financial resources available in the near future to finance City programs.

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

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements and schedules have been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Electric, Wastewater, Water, all of which are considered to be major funds and the Transit system, which is considered to be a non-major proprietary fund.

- **Internal Service funds** are used to report activities that account for various employee benefits, self-insurance, and fleet activities of the City. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The activities of the Industrial Way-Beckman special assessment and various landscape and lighting districts are accounted for and reported under the fiduciary funds. The activities of the Private-Purpose Trust and the Hutchins Street Square Bequest are also accounted for under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning changes in net pension liability and related ratios for the City's Miscellaneous and Safety pension plans, the City's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees, and schedules comparing budget to actual amounts in the General Fund.

Combining Statements

The combining statements in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$171,425,284 at the close of the current fiscal year.

City of Lodi's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 44,957,568	39,219,664	82,429,647	86,449,184	\$ 127,387,215	125,668,848
Capital assets	125,703,452	125,248,452	238,569,011	234,608,951	364,272,463	359,857,403
Total assets	<u>170,661,020</u>	<u>164,468,116</u>	<u>320,998,658</u>	<u>321,058,135</u>	<u>491,659,678</u>	<u>485,526,251</u>
Deferred outflows of resources	<u>6,317,566</u>	<u>462,397</u>	<u>8,240,201</u>	<u>7,371,560</u>	<u>14,557,767</u>	<u>7,833,957</u>
Liabilities:						
Net OPEB obligation	5,343,727	4,767,274			5,343,727	4,767,274
Net pension liability	74,791,178		16,870,603		91,661,781	
Long-term liabilities	34,313,177	35,661,889	170,074,211	178,254,118	204,387,388	213,916,007
Other liabilities	6,505,235	4,679,095	10,723,874	10,781,887	17,229,109	15,460,982
Total liabilities	<u>120,953,317</u>	<u>45,108,258</u>	<u>197,668,688</u>	<u>189,036,005</u>	<u>318,622,005</u>	<u>234,144,263</u>
Deferred inflows of resources	<u>12,226,800</u>		<u>3,943,356</u>		<u>16,170,156</u>	
Net position:						
Net investment in capital assets	105,943,664	105,461,769	119,924,203	116,156,098	225,867,867	221,617,867
Restricted	12,001,224	11,808,701	6,810,256	6,702,976	18,811,480	18,511,677
Unrestricted	(74,146,419)	2,551,785	892,356	16,534,616	(73,254,063)	19,086,401
Total net position	\$ <u>43,798,469</u>	<u>119,822,255</u>	<u>127,626,815</u>	<u>139,393,690</u>	\$ <u>171,425,284</u>	<u>259,215,945</u>

Assets. The City's total assets increased by \$6,133,427. The increase is primarily due to the following:

Governmental activities. Total assets for the governmental activities had an increase of \$6,192,904 or 3.77% resulting largely from an increase in cash and investments due to increases in property tax revenue, \$495,193; sales tax, \$513,673; State mandated reimbursements from claims

submitted in prior years including interest, \$958,106; and transfers from the Electric, Wastewater, Water Enterprise Funds and the Internal Service Fund for various capital projects, \$3,600,000. Other insignificant activities make up the difference.

Business-type activities. Total assets for the business-type activities had a decrease of \$59,477. Current and other assets decreased by \$4,019,537 primarily due to decreases in cash and investments and restricted assets as a result of payments for debt service and an increase in contributions to the Capital Outlay Fund for various projects, \$3,550,000; offset by the increase in Greenhouse gas allowance compared to prior year of \$1,869,672 and the increase in charges for services revenue due to increased rates in Wastewater Fund of \$409,030 and in the Electric Fund by \$544,512, due to the overall increase in usage by customers. Capital assets increased by \$3,960,060 primarily from the purchase of thirteen buses in the Transit Fund, \$2,585,873, increase in construction in progress, \$10,449,092; offset by depreciation of buildings and improvements, machinery and equipment, and vehicles. Other insignificant activities contributed to the difference.

Deferred outflows of resources. The increase in deferred outflows of resources of \$ 6,723,810 is primarily due to the recording of the current pension contributions made after the measurement date of June 30, 2014 of the CalPERS valuation report.

Liabilities. The City's total liabilities increased by \$84,477,742 or 36.08%. The increase is primarily due to the following:

Governmental activities. Total liabilities for the governmental activities had a significant increase of \$75,845,059 or 168.14%, primarily from pension related liability.

Business-type activities. Total liabilities for the business-type activities increased by \$8,632,683 or 4.57%. The increase is primarily attributable to the pension related liability. Other insignificant activities offset the difference.

Deferred inflows of resources. The increase in deferred inflows of resources of \$16,170,156 represents the plan earnings of both Miscellaneous and Safety Plans in excess of projected in the CalPERS actuarial report.

Net position. The City's overall financial position has increased during the fiscal year. The net position has increased by \$12,863,903, excluding the restatement of \$100,654,564, or 4.96%.

The largest portion (\$225,867,867) of the City's net position reflects its investment in capital assets net of any associated depreciation (e.g., land, buildings and improvements, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$18,811,480 (10.97%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to a deficit of \$73,254,063. At the end of the current fiscal year, the City is able to report positive balances in two categories of net position for the City as a whole. Unrestricted net position is negative for the governmental-type activities.

City of Lodi's Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities		2015	2014
	2015	2014	2015	2014		
Revenues						
Program revenues:						
Charges for services	\$ 6,193,492	5,692,708	92,904,205	91,956,874	\$ 99,097,697	97,649,582
Operating grants and contributions	3,369,054	2,685,911	5,185,575	4,431,258	8,554,629	7,117,169
Capital grants and contributions	3,130,921	5,359,070	5,283,584	2,846,263	8,414,505	8,205,333
General revenues:						
Property taxes	13,502,085	12,758,079			13,502,085	12,758,079
Other taxes	11,128,660	10,960,317			11,128,660	10,960,317
Grants and contributions not restricted to specific programs	10,650,893	10,138,096			10,650,893	10,138,096
Rent	1,941,477	1,905,709	4,200	4,200	1,945,677	1,909,909
Other	750,606	730,690	3,376,133	3,126,882	4,126,739	3,857,572
Total revenues	50,667,188	50,230,580	106,753,697	102,365,477	157,420,885	152,596,057
Expenses						
General government	9,108,789	9,580,379			9,108,789	9,580,379
Public protection	27,426,291	27,883,875			27,426,291	27,883,875
Public works	10,281,419	10,644,153			10,281,419	10,644,153
Community development	1,164,964	1,174,428			1,164,964	1,174,428
Library	1,324,130	1,282,257			1,324,130	1,282,257
Parks and recreation	3,115,763	3,163,506			3,115,763	3,163,506
Interest on long-term debt	817,918	824,517			817,918	824,517
Electric			64,366,530	61,974,538	64,366,530	61,974,538
Wastewater			12,911,955	12,526,711	12,911,955	12,526,711
Water			9,905,544	11,013,911	9,905,544	11,013,911
Transit			4,133,679	3,833,786	4,133,679	3,833,786
Total expenses	53,239,274	54,553,115	91,317,708	89,348,946	144,556,982	143,902,061
Changes in net position before transfers	(2,572,086)	(4,322,535)	15,435,989	13,016,531	12,863,903	8,693,996
Transfers	7,513,614	4,792,000	(7,513,614)	(4,792,000)		
Changes in net position	4,941,528	469,465	7,922,375	8,224,531	12,863,903	8,693,996
Net position at beginning of year, as previously reported	119,822,255	120,585,956	139,393,690	134,435,142	259,215,945	255,021,098
Adjustment related to pensions	(80,965,314)		(19,689,250)		(100,654,564)	
Adjustment for OPEB and deferred costs		(1,233,166)		(3,265,983)		(4,499,149)
Net position at beginning of year, as restated	38,856,941	119,352,790	119,704,440	131,169,159	158,561,381	250,521,949
Net position at end of year	\$ 43,798,469	119,822,255	127,626,815	139,393,690	\$ 171,425,284	259,215,945

Analysis of Changes in Net Position

Governmental activities

Net position for the governmental activities increased by \$4,941,528 in the current fiscal year, which is an increase of \$4,472,063 from last year's increase of \$469,465. The key factors impacting this increase are:

Revenues increased \$436,608 from the prior fiscal year. Key elements of this increase are:

- Charges for services increased by 8.8%, a net amount of \$500,784 from the prior fiscal year, mainly from the increase revenue from engineering inspection fees and engineering fees of \$415,705.
- Operating grants and contributions increased by \$683,143 or 25.43% compared to the prior year from the increase in the State mandated reimbursements of \$958,106 offset by the decrease in Police Hiring grant of \$194,984 and decrease of CalGRIP funding of \$177,776.
- Capital grants and contributions decreased by \$2,228,149 or 41.58% from the prior fiscal year. The decrease in capital contributions was mainly attributable to federal funds used for the Harney Lane Grade Separation project and the Sacramento Street Pedestrian Beautification project totaling \$1,761,762, decrease gas tax allocation of \$167,740 and decrease in CDBG allocation of \$307,992.
- Property taxes increased by \$744,006 or 5.83% compared to prior year. The economy continues to show evidence of positive movement particularly in the housing market. Rising home prices coupled with record lows in mortgage rates are helping the process to generate sales, resulting in an increase in property tax revenues in the current year.
- Grants and contributions not restricted to specific programs increased by \$512,797 or 5.06% basically from sales tax revenues which increased by \$513,673. The overall increase in sales tax is attributed to a general increase in consumer spending and steady increase in auto sales spurred by low interest rates, easy credit and manufacturer's incentives.

Expenses for governmental functions totaled \$53,239,274, a decrease of \$1,313,841 from the prior fiscal year. The key elements of this decrease are:

- General government – the decrease in general government of \$471,590 is primarily due to decrease in salaries and benefits due to vacancies and the effect of the Council approved one-time payment given to employees and the increase in the cap for medical premiums in the prior year. Other insignificant increases offset the difference.
- Public protection – a decrease of \$457,584 in public protection is primarily due to vacancies and the one-time payment given to employees and the increase in the cap for medical premiums in the prior year. Other insignificant increases offset the difference.
- Public works – the decrease of \$362,734 is primarily due to vacancies and the one-time payment given to employees and the increase for medical premiums in the prior year. Other insignificant increases offset the difference.

Transfers increased by \$2,771,614, primarily due to contributions from the enterprise funds for various capital projects.

Business-type activities

Business-type activities increased the City's net position by \$7,922,375 in the current year, which is a decrease of \$302,156 from last year's increase of \$8,224,531. The key elements of this decrease are:

- Transfers to the governmental activities for various capital projects increased by \$2,771,614 in comparison to the prior year.
- Charges for services in the Electric fund increased by \$544,512 primarily from sales due to growth and increased usage by commercial customers.
- Increase in the Greenhouse gas allowance (GHG) of \$1,869,672 in the Electric fund related to Assembly Bill 32: Global Warming Act, which set the 2020 greenhouse gas emissions reduction into law and also adopted a regulation that established a system of market-based declining annual aggregate emission limits for sources or categories of sources that emit greenhouse gases. In 2011, the California Air Resources Board (ARB) adopted the cap-and-trade regulation. This program covers major sources of GHG emissions in the State such as refineries, power plants, industrial facilities, and transportation fuels. The cap-and-trade program includes an enforceable emissions cap that will decline over time. The State distributes allowances which are tradable permits, equal to emissions allowed under the cap.

- Capital contributions increased by \$2,437,321, primarily from federal funds received for the purchase of buses for the Transit Fund.
- Increase in depreciation expense of \$1,146,358 as the result of adding \$5,416,421 in capital assets.
- Bulk power cost increased by \$1,209,397 compared to the prior year is primarily attributed to increasing transmission access charges per MWH charged by NCPA.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, special revenue funds, debt service fund and capital projects funds.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,436,361. This represents an increase of \$3,293,392, an increase of \$2,162,924 in comparison to the prior year increase of \$1,130,468 resulting from the increase in total revenues and increase in transfers in, offset by the increase in capital outlay.

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 \$12,107,040 while total fund balance was \$12,478,553. 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 and total fund balance represent 33.56% and 34.59% of total General Fund expenditures, respectively.

The fund balance of the General Fund increased by \$3,004,793 during the current fiscal year, an increase of \$1,496,245 from last year's increase of \$1,508,548. Key factors in this growth are as follows:

- Total revenues increased by \$2,653,051, primarily from the increase in sales tax of \$513,673; increase in property tax of \$495,193, increase in property tax in-lieu of \$244,564, increase in State mandated reimbursements of \$958,106; increase in engineering and inspection fees, \$415,705; and, increase in transient occupancy tax of \$72,636. Other insignificant increases and decreases offset the difference.
- Total expenditures increased by \$297,571, primarily from increase in public works for professional services related to construction testing and inspection services for various city projects. Salaries and wages also decreased by \$747,481 and offset by the increase of overtime by \$446,372 due to vacancies. Other insignificant increases and decreases offset the difference.

Proprietary Funds

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

Unrestricted net position at the end of the year for the Wastewater Fund was \$5,698,680, Water Fund was \$2,087,340 and for the Transit Fund, \$3,489,661. The Electric Fund unrestricted net position was (\$10,383,325) and the Internal Services Funds unrestricted net position was (\$615,623).

Other factors concerning the finances of these funds are discussed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final budget in the General Fund were a net increase in appropriations of \$99,422. The increase in appropriations can be briefly summarized as follows:

- \$61,923 increase in general government
- \$301,499 decrease in public protection
- \$128,511 increase in public works
- \$11,643 increase in library

Significant differences between the final budget and the actual revenues and expenditures can be briefly summarized as follows:

- Taxes – a favorable variance of \$467,835 was due to positive variances in property tax (\$57,041), real property transfer tax (\$29,493), transient occupancy tax (\$116,419), in-lieu of vehicle license fees (\$122,721), cable TV franchise fees (\$59,537), electric, gas and industrial waste franchise (\$106,235), card room tax (\$23,217), offset by a negative variance in business license tax (\$46,828).
- Intergovernmental revenues – a favorable variance of \$1,359,792 was mainly due to a positive variance in sales tax (\$366,733), State mandated reimbursements (\$962,932), and in Prop. 172 (\$31,865).
- For expenditures, a favorable variance between the final budget and actual expenditures of \$948,082 was due to savings from vacancies and the continued overall effort to reduce spending and costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$364,272,463 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, works of art, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$4,415,060, a 1.23% increase (a 0.36% increase in governmental activities and 1.69% increase in business-type activities) as shown in the table below.

	Changes in Capital Assets, Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 24,947,834	\$ 24,933,134	\$ 5,535,718	\$ 5,535,718	\$ 30,483,552	\$ 30,468,852
Construction in Progress	12,124,679	4,407,042	14,478,947	4,029,855	26,603,626	8,436,897
Buildings and Improvements	36,344,383	38,288,041	29,340,217	31,130,846	65,684,600	69,418,887
Machinery and Equipment	549,226	726,413	184,431,755	191,198,079	184,980,981	191,924,492
Vehicles	1,758,667	1,318,240	4,782,374	2,714,453	6,541,041	4,032,693
Infrastructure	49,673,756	55,270,675			49,673,756	55,270,675
Work of Art	304,907	304,907			304,907	304,907
Total	\$ 125,703,452	\$ 125,248,452	\$ 238,569,011	\$ 234,608,951	\$ 364,272,463	\$ 359,857,403

An increase in construction in progress compared to prior year was primarily from the ongoing improvements for Fire Station # 2 and Fire Station #3, City Hall Annex improvements, the Harney Lane Grade separation project, White Slough Plant improvements, and the Water Meter Programs - Phases #4 and #5. The increase in vehicles resulted from the purchase of thirteen buses.

Additional information on the City's capital assets can be found in Note 6 on pages 49-51 of this report.

Long-term debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$169,717,613. Of this amount, \$19,950,250 is the outstanding balance of the bonds issued to fund the new public safety building, refinancing of the performing arts center and the downtown and Cherokee Lane improvements. The total of \$149,767,363 from the business-type activities consists of \$35,907,504 for the Water Fund; \$47,556,412 for the Wastewater Fund; and \$66,303,447 for the Electric Fund.

City of Lodi's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Certificates of Participation and Revenue Bonds	\$ 19,950,250	149,767,367	169,717,617

The City's total bonded debt decreased by \$7,583,005 during the current fiscal year.

Bond Rating

In December 2015, Moody's Rating Services maintained its A2 rating with a stable outlook on outstanding electric utility debt instruments given management's focus on improving financial performance and no plans to issue additional debt in the near future.

In September 2015, Standard & Poor's Rating Services raised its long-term rating to A+ from A on the outstanding public improvement bonds with a stable outlook.

Additional information on the City's long-term debt can be found in Note 8 on pages 52-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to see a number of positive economic indicators and is slowly returning to revenue levels seen before the Great Recession. General Fund revenues including transfers from other funds are projected to increase for the first time to exceed the historic high of \$45.5 million in 2007/08 to a conservatively projected \$46,708,260 in 2015/16, representing a 7.2 percent growth in revenues.

This past year has seen the continued growth for Costco and Home Depot stores. Moreover, plans are now on file for construction of several businesses and additional retailers are moving forward with plans to complete other sections of the development at Reynolds Ranch. Additionally, the Lodi Shopping Center is moving forward and is under construction.

The General Fund continues to be of the greatest focus. It funds all of the core municipal services including police, fire, administration, economic development, transfers to the parks and library funds and other essential public services. The General Fund houses the large majority of City employees.

The City has reduced its workforce by 17% over the past ten years, from 470 full-time budgeted employees in 2004/05 to 391 full-time budgeted employees in 2015/16. The City will add a net of 8 positions this year to address capital maintenance needs, succession planning and operational efficiencies in various departments.

The City will continue its capital efforts in the coming year. Significant projects expected to be undertaken during the year include various electrical system maintenance projects, water meter and water system maintenance projects, PCE/TCE remediation projects, various wastewater system maintenance projects, street maintenance and replacing boating facilities at Lodi Lake Park under a State Division of Boating and Waterways Local Assistance grant. The City began a phased financial systems implementation and activated the financials, human resources and payroll during the fiscal year 2014/15. Utility billing, business license and animal license and fleet maintenance management modules will be brought live during the budget year. Additionally, the City is expecting to complete construction of Fire Station #2 and refurbish the City Hall Annex to house Parks Administration, Fire Administration and the City's computer systems.

Balancing the 2015/16 budget involves balancing several critical issues: employee costs and retirement contributions; capital programs; and cost increases beyond the City's control that were either imposed by external entities or negotiated by the City with its bargaining groups.

Employee costs and retirement contributions – Prior to the economic downturn, Lodi and its employees aggressively moved to manage employment costs. Positions not deemed vital to City operations were held vacant, and other departmental expenses were closely monitored. Importantly, as the economy plummeted, in March 2009, City employees made a number of temporary salary and benefit concessions to reduce salary costs, including salary reductions, furloughs, and waiving of the City's deferred compensation match. These concessions alone were valued at over \$2.3 million for FY 2009-10, \$2.7 million for FY 2010-11, and \$3.0 million for FY 2011-12. Consequently, the City largely avoided employee layoffs and drastic service cuts so common in other cities. In 2013, the majority of employees agreed to a historic restructuring of their salary and benefits, permanently reducing employee expenses. Employees agreed to paying their full seven or nine percent retirement contribution and capping the City's medical costs. The effect of these agreements was to reduce employment costs seven to nine percent below the 2007/08 levels.

For 2014/15, the City negotiated an additional one-year agreement with all of its bargaining units (except IBEW). For the first time since 2007/08, the City returned a portion of the concessions agreed to by employees, issuing a one-time payment of \$2,300 per employee to all employees, and increasing the medical cap to January 2014 rates. In addition, the City increased safety uniform allowances by 1 percent on a one-year non-PERSable basis. The one-time dollars were paid for from amounts over the City's General Fund reserve targets at the close of the 2012/13 budget year. The ongoing health costs were funded through the budget.

Looking forward to 2015/16 and beyond, the City has reached an agreement with The agreements reached generally call for 3 percent raises in year one and 2 percent raises in years two and three.

Capital programs – The City continues to utilize one-time funds for capital maintenance, rather than ongoing operations. In prior years, the City assessed its physical plant and is using one-time funds generated by the Lodi Energy Center, to address deferred maintenance projects on its buildings. Scheduled to be completed this year are Fire Station #2, City Hall Annex remodel, financial system implementation and various roof, parking lot and facility maintenance projects totaling about \$1.6 million. The 2015/16 budget also includes \$767,000 in unallocated one-time revenues that could be put toward additional capital projects.

Imposed costs – While revenues have increased by over \$3.1 million, the cost of retirement and insurance continue to rise. In the last few years, CalPERS has revised a number of its actuarial assumptions and policies. Rates for Miscellaneous plan employees rose 1.9 percent while Safety plan rates increased 2.9 percent. Total additional cost to the City is about \$600,000.

In December of 2014, CalPERS released its long awaited five-year rate projections resulting from its major policy shift regarding the time frame within which it recovers market losses. In years past, CalPERS recovered these losses over a 30-year rolling period. In 2013, CalPERS reduced

that time frame. The increase is phased in on a bell curve over five years, levels out for 20 years and decreasing for the last five. The bell curve structure means Lodi will see its greatest impact in the 2019/20 budget year. Projected contribution rates ranges from 19.994% to 27.7% for the Miscellaneous group, and 40.87% to 54.59% for the Safety group, in the next five years.

A second cost increase that is a cause of concern is rapidly increasing health care costs. While the City has negotiated a medical insurance cap with its bargaining units, costs are expected to increase and impact the net pay of the workforce. Staff is evaluating the impact of the Affordable Care Act and believes that prudent management of part-time hours will allow the City to avoid an economic impact.

A third cost increase that is a cause of concern is worker's compensation. The City is self-funded for worker's compensation costs. There has been a moderation in the cost and severity of claims and the City has funded its actuarial liability at slightly more than the 90% percent confidence level. Staff continues to manage the program and provide education to employees to minimize injuries and work time losses.

Economic Development

During the Great Recession, the City has fared better than the surrounding area, as a whole. While not immune to the foreclosure crisis, the City housing stock has seen fewer foreclosures and has maintained housing values better than the surrounding communities.

The City's unemployment rate continues to track roughly 1 percent lower than that of San Joaquin County. The City's diversified economic base continues to help the City maintain its revenue base.

Although agriculture is an important part of the City's past, present and future by providing residents with employment on farms and in processing plants, even more jobs can be found in food and plastics manufacturing and in health-related businesses.

Lodi Health Hospital, Blue Shield and ConAgra have the highest year-round employment in the City, and large national and international manufacturers such as CertainTeed find the City an attractive base for their West Coast operations. The City was disappointed with the announcement that the General Mills plant would be closing by the end of 2016. City staff, is in discussions with General Mills staff regarding the marketing and re-use of the site as General Mills closes the plant. While a major employer, staff is optimistic that a suitable replacement will be found timely and not significantly impact City operations.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City' accountability for the money it receives. If you have any questions about this report or need additional information, contact the Financial Services Division of the City of Lodi at 310 W. Elm Street, Lodi, California, 95240.

BASIC FINANCIAL STATEMENTS

The Government-wide Financial Statements provide a broad overview of the City's financial position and operating results. Information is grouped by governmental activities or business-type activities.

The Fund Financial Statements report information about the City's Governmental Funds, Proprietary Funds, and the Fiduciary Funds.

The notes have an integral role in disclosing information essential to the fair presentation of the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LODI
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 41,348,139	27,531,358	\$ 68,879,497
Accounts receivable, net	4,606,072	8,815,777	13,421,849
Property tax receivable	7,752		7,752
Interest receivable	25,857	24,685	50,542
Internal balances	(1,550,454)	1,550,454	
Due from other governmental agencies	348,979	2,287,366	2,636,345
Restricted assets		31,717,302	31,717,302
Loans receivable		88,698	88,698
Advance receivable		6,956,797	6,956,797
Inventory	171,223	3,119,361	3,290,584
Other assets		337,849	337,849
Capital assets, net:			
Nondepreciable	37,377,420	20,014,665	57,392,085
Depreciable, net	88,326,032	218,554,346	306,880,378
TOTAL ASSETS	170,661,020	320,998,658	491,659,678
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized losses on defeasance	435,462	6,874,417	7,309,879
Related to pensions	5,882,104	1,365,784	7,247,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,317,566	8,240,201	14,557,767
LIABILITIES			
Accounts payable and accrued liabilities	5,549,654	7,619,627	13,169,281
Accrued salaries and wages	542,673		542,673
Accrued interest	211,203	2,328,909	2,540,112
Unearned revenue	201,705	775,338	977,043
Net OPEB obligation	5,343,727		5,343,727
Net pension liability	74,791,178	16,870,603	91,661,781
Long-term liabilities:			
Due within one year	2,439,237	8,346,744	10,785,981
Due in more than one year	31,873,940	161,727,467	193,601,407
TOTAL LIABILITIES	120,953,317	197,668,688	318,622,005
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	12,226,800	3,943,356	16,170,156
NET POSITION			
Net investment in capital assets	105,943,664	119,924,203	225,867,867
Restricted for:			
Road-related projects	3,207,124		3,207,124
Capital projects	6,841,989		6,841,989
Debt service		6,810,256	6,810,256
Public safety	249,258		249,258
Community development	1,474,880		1,474,880
Parks, recreation and community services	227,973		227,973
Unrestricted	(74,146,419)	892,356	(73,254,063)
TOTAL NET POSITION	\$ 43,798,469	127,626,815	\$ 171,425,284

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 9,108,789	1,971,045	1,012,932		(6,124,812)		\$ (6,124,812)
Public protection	27,426,291	608,602	1,222,232	41,451	(25,554,006)		(25,554,006)
Public works	10,281,419	832,391	1,114,220	2,863,540	(5,471,268)		(5,471,268)
Community development	1,164,964	1,377,715			212,751		212,751
Library	1,324,130	43,456	19,670		(1,261,004)		(1,261,004)
Parks and recreation	3,115,763	1,360,283		225,930	(1,529,550)		(1,529,550)
Interest on long-term debt	817,918				(817,918)		(817,918)
Total governmental activities	<u>53,239,274</u>	<u>6,193,492</u>	<u>3,369,054</u>	<u>3,130,921</u>	<u>(40,545,807)</u>		<u>(40,545,807)</u>
Business-type activities:							
Electric	64,366,530	65,237,320	2,557,326	417,669		3,845,785	3,845,785
Wastewater	12,911,955	14,714,123		372,044		2,174,212	2,174,212
Water	9,905,544	12,722,619	613,715	493,748		3,924,538	3,924,538
Transit	4,133,679	230,143	2,014,534	4,000,123		2,111,121	2,111,121
Total business-type activities	<u>91,317,708</u>	<u>92,904,205</u>	<u>5,185,575</u>	<u>5,283,584</u>		<u>12,055,656</u>	<u>12,055,656</u>
Total primary government	<u>\$ 144,556,982</u>	<u>99,097,697</u>	<u>8,554,629</u>	<u>8,414,505</u>	<u>(40,545,807)</u>	<u>12,055,656</u>	<u>(28,490,151)</u>
General revenues:							
Taxes:							
Property taxes					13,502,085		13,502,085
Franchise taxes					8,975,852		8,975,852
Business license tax					1,486,389		1,486,389
Transient occupancy tax					666,419		666,419
Grants and contributions not restricted to specific programs					10,650,893		10,650,893
Investment earnings					145,159	631,546	776,705
Rent					1,941,477	4,200	1,945,677
Other					605,447	2,744,587	3,350,034
Transfers					7,513,614	(7,513,614)	
Total general revenues and transfers					<u>45,487,335</u>	<u>(4,133,281)</u>	<u>41,354,054</u>
Changes in net position					<u>4,941,528</u>	<u>7,922,375</u>	<u>12,863,903</u>
Net position, beginning of year, as previously reported					119,822,255	139,393,690	259,215,945
Change in accounting principles					<u>(80,965,314)</u>	<u>(19,689,250)</u>	<u>(100,654,564)</u>
Net position, beginning of year, as restated					38,856,941	119,704,440	158,561,381
Net position, end of year					<u>\$ 43,798,469</u>	<u>127,626,815</u>	<u>\$ 171,425,284</u>

FUND FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

Governmental Fund Types

Governmental funds consist of the General Fund, special revenue funds, debt service fund and capital projects funds.

Major Governmental Fund:

General Fund

This fund is maintained to account for all financial resources that are not restricted as to their use. This includes property and sales taxes, business tax receipts, franchise taxes and various subventions such as Motor Vehicle In-Lieu fees received from the State of California. With the exception of grant programs, General Fund resources can be utilized for any legitimate governmental purpose.

Proprietary Fund Types

Proprietary funds consist of the enterprise funds and the internal service funds.

Major Enterprise Funds include:

Electric Fund

The City established this fund in order to account for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements maintenance and debt service.

Sewer Fund

This fund was established by the City in order to account for the provision of waste water collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

Water Fund

This fund was established by the City in order to account for the provision of water to the residents of the City as well as some customers in the County. All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Nonmajor Enterprise Fund:**Transit Fund**

This fund is used to account for the operations of the Dial-A-Ride and the Grapeline bus system.

Fiduciary Fund Types**Private-purpose Trust Funds**

These funds are used to account for assets held by the Library Board as trustee of the Lodi Public Library and for assets held by the City in accordance with the trust agreement on behalf of the Hutchins Street Square.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts and various landscape and lighting districts around the City.

**CITY OF LODI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 12,542,808	14,664,209	\$ 27,207,017
Receivables:			
Accounts, net	3,890,758	715,314	4,606,072
Property taxes	7,752		7,752
Interest	9,340	7,595	16,935
Due from other funds		93,114	93,114
Due from other governmental agencies		348,979	348,979
Inventory		1,291	1,291
Total assets	\$ 16,450,658	15,830,502	\$ 32,281,160
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,373,901	2,038,245	\$ 5,412,146
Accrued salaries and wages	542,673		542,673
Due to other funds		93,114	93,114
Advances from other funds		1,550,454	1,550,454
Unearned revenue	55,531	146,174	201,705
Total liabilities	3,972,105	3,827,987	7,800,092
Deferred inflows of resources:			
Unavailable revenue		44,707	44,707
Fund balances:			
Nonspendable			
Inventory		1,291	1,291
Restricted			
Road-related projects		3,207,124	3,207,124
Capital projects		6,797,282	6,797,282
Public safety		249,258	249,258
Community development		1,474,880	1,474,880
Parks, recreation and community services		227,973	227,973
Committed			
Video- related capital projects	345,294		345,294
Assigned			
Encumbrances - supplies, materials and services	26,219		26,219
Unassigned			
Total fund balances	12,107,040	11,957,808	24,436,361
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,450,658	15,830,502	\$ 32,281,160

CITY OF LODI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Fund balances - total governmental funds	\$	24,436,361
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Nondepreciable capital assets		37,377,420
Depreciable capital assets, net		88,298,534
Deferred outflows of resources related to pensions are not reported in governmental funds.		
		5,807,745
Deferred inflows of resources related to pensions are not reported in governmental funds.		
		(12,010,250)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds as follows:		
Compensated absences		(5,732,206)
Long-term debt		(19,325,000)
Issuance premium (to be amortized as interest expense)		(870,250)
Unamortized losses on defeasance (to be amortized as interest expense)		435,462
Accrued interest		(211,203)
Net pension liability		(73,864,726)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		
		44,707
Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		
		(588,125)
Net position of governmental activities	\$	<u><u>43,798,469</u></u>

CITY OF LODI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2015

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 24,630,745		\$ 24,630,745
Licenses and permits	87,908	879,225	967,133
Intergovernmental revenues	12,642,107	4,914,450	17,556,557
Charges for services	1,482,448	2,345,002	3,827,450
Fines, forfeits and penalties	1,573,071		1,573,071
Investment and rental income	1,546,845	481,971	2,028,816
Miscellaneous revenue	290,951	529,286	820,237
Total revenues	<u>42,254,075</u>	<u>9,149,934</u>	<u>51,404,009</u>
Expenditures:			
Current:			
General government	6,490,907	2,660,048	9,150,955
Public protection	26,388,172	257,888	26,646,060
Public works	1,882,250	2,625,771	4,508,021
Community development		1,226,307	1,226,307
Library	1,311,367		1,311,367
Parks and recreation		2,145,084	2,145,084
Capital outlay		9,841,625	9,841,625
Debt service:			
Interest and fiscal charges		844,812	844,812
Total expenditures	<u>36,072,696</u>	<u>19,601,535</u>	<u>55,674,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,181,379</u>	<u>(10,451,601)</u>	<u>(4,270,222)</u>
Other financing sources (uses):			
Transfers in	3,952,000	11,647,376	15,599,376
Transfers out	(7,128,586)	(907,176)	(8,035,762)
Total other financing sources (uses)	<u>(3,176,586)</u>	<u>10,740,200</u>	<u>7,563,614</u>
Changes in fund balances	3,004,793	288,599	3,293,392
Fund balances, beginning of year	<u>9,473,760</u>	<u>11,669,209</u>	<u>21,142,969</u>
Fund balances, end of year	<u>\$ 12,478,553</u>	<u>11,957,808</u>	<u>\$ 24,436,361</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LODI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2015**

Net change in fund balances - total governmental funds	\$	3,293,392
<p>Amounts reported for governmental activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> <p>Capital outlays and depreciation expense are as follows:</p>		
Capitalized capital outlays		8,996,052
Depreciation expense		(8,539,608)
<p>Internal service funds are used by management to charge the costs of general liability insurance, workers' compensation insurance, health benefits insurance, other insurance, employee benefits and the cost of operating and maintaining the City's fleet to individual funds. The net revenue of the internal service funds are reported with governmental activities.</p>		
		784,312
<p>Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences		563,640
Amortization of loss on defeasance		(26,935)
Amortization of bond premium		53,830
Change in net pension liability and related amounts		(183,155)
Change in net position of governmental activities	\$	4,941,528

**CITY OF LODI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015**

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
ASSETS						
Current assets:						
Cash and investments	\$ 6,383,017	13,853,935	6,755,522	538,884	\$ 27,531,358	\$ 14,141,122
Restricted cash and investments			14,832,904		14,832,904	
Restricted assets with fiscal agents	12,230,110	108,982	2,375,456		14,714,548	
Receivables:						
Accounts, net	4,884,633	1,010,587	844,542	2,076,015	8,815,777	
Interest	3,959	8,816	11,567	343	24,685	8,922
Due from other governmental agencies			362,028	1,925,338	2,287,366	
Advance receivable	6,956,797				6,956,797	
Loans receivable	88,698				88,698	
Inventory	2,755,191	92,370	271,800		3,119,361	169,932
Other assets			337,849		337,849	
Total current assets	<u>33,302,405</u>	<u>15,074,690</u>	<u>25,791,668</u>	<u>4,540,560</u>	<u>78,709,343</u>	<u>14,319,976</u>
Noncurrent assets:						
Restricted assets with fiscal agents		2,169,850			2,169,850	
Advances to other funds		376,429	1,750,403		2,126,832	
Capital assets, net:						
Nondepreciable	763,785	8,772,041	8,920,552	1,558,287	20,014,665	
Depreciable, net	39,367,685	81,525,888	81,629,524	16,031,149	218,554,346	27,498
Total capital assets	<u>40,131,470</u>	<u>90,298,029</u>	<u>90,550,076</u>	<u>17,589,436</u>	<u>238,569,011</u>	<u>27,498</u>
Total noncurrent assets	<u>40,131,470</u>	<u>92,844,308</u>	<u>92,300,479</u>	<u>17,589,436</u>	<u>242,865,693</u>	<u>27,498</u>
TOTAL ASSETS	<u>73,433,875</u>	<u>107,918,998</u>	<u>118,092,147</u>	<u>22,130,016</u>	<u>321,575,036</u>	<u>14,347,474</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized losses on defeasance	5,128,145	1,746,272			6,874,417	
Related to pensions	784,603	498,007	46,096	37,078	1,365,784	74,359
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,912,748</u>	<u>2,244,279</u>	<u>46,096</u>	<u>37,078</u>	<u>8,240,201</u>	<u>74,359</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	3,309,528	1,037,742	2,899,265	373,092	7,619,627	137,508
Accrued interest	1,615,256	538,769	174,884		2,328,909	
Unearned revenue			660,104	115,234	775,338	
Self-insurance liability						634,932
Accrued compensated absences	286,385	185,493	33,237	22,454	527,569	31,195
Certificates of participation and revenue bonds payable	5,219,909	1,709,566	889,700		7,819,175	
Total current liabilities	<u>10,431,078</u>	<u>3,471,570</u>	<u>4,657,190</u>	<u>510,780</u>	<u>19,070,618</u>	<u>803,635</u>
Noncurrent liabilities:						
Advances from other funds	576,378				576,378	
Self-insurance liability						7,670,955
Accrued compensated absences	542,777	588,524		55,868	1,187,169	48,639
Certificates of participation and revenue bonds payable	61,083,539	45,846,848	35,017,805		141,948,192	
Net pension liability	9,512,447	6,314,886	620,694	422,576	16,870,603	926,452
Net OPEB obligation						5,343,727
Pollution remediation obligation			18,592,106		18,592,106	
Total noncurrent liabilities	<u>71,715,141</u>	<u>52,750,258</u>	<u>54,230,605</u>	<u>478,444</u>	<u>179,174,448</u>	<u>13,989,773</u>
TOTAL LIABILITIES	<u>82,146,219</u>	<u>56,221,828</u>	<u>58,887,795</u>	<u>989,224</u>	<u>198,245,066</u>	<u>14,793,408</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	2,223,452	1,476,050	145,081	98,773	3,943,356	216,550
NET POSITION						
Net investment in capital assets	(1,449,979)	46,766,719	57,018,027	17,589,436	119,924,203	27,498
Restricted:						
Debt service	6,810,256				6,810,256	
Unrestricted	(10,383,325)	5,698,680	2,087,340	3,489,661	892,356	(615,623)
TOTAL NET POSITION	<u>\$ (5,023,048)</u>	<u>52,465,399</u>	<u>59,105,367</u>	<u>21,079,097</u>	<u>\$ 127,626,815</u>	<u>\$ (588,125)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LODI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2015

	Business-type Activities - Enterprise Funds				Total	Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit		
OPERATING REVENUES						
Charges for services	\$ 65,237,320	14,714,123	12,722,619	230,143	\$ 92,904,205	\$ 12,010,929
OPERATING EXPENSES						
Personnel services	6,194,068	3,116,493	2,316,305	312,406	11,939,272	1,039,685
Supplies, materials and services	12,282,288	2,541,904	2,139,013	2,600,659	19,563,864	7,906,220
Utilities	38,568,622	676,838	579,774	74,844	39,900,078	17,843
Depreciation	2,658,929	4,217,932	2,752,367	1,145,770	10,774,998	1,444
Claims						2,352,814
TOTAL OPERATING EXPENSES	<u>59,703,907</u>	<u>10,553,167</u>	<u>7,787,459</u>	<u>4,133,679</u>	<u>82,178,212</u>	<u>11,318,006</u>
OPERATING INCOME (LOSS)	<u>5,533,413</u>	<u>4,160,956</u>	<u>4,935,160</u>	<u>(3,903,536)</u>	<u>10,725,993</u>	<u>692,923</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	135,397	356,590	130,616	8,943	631,546	58,750
Interest expense	(3,532,168)	(2,358,788)	(2,118,085)		(8,009,041)	
Operating grants	234,550		613,715	2,014,534	2,862,799	
Greenhouse gas allowance	2,322,776				2,322,776	
Loss on disposal of capital assets	(1,130,455)				(1,130,455)	
Other revenues	1,360,933	590,013	483,708	314,133	2,748,787	82,639
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(608,967)</u>	<u>(1,412,185)</u>	<u>(890,046)</u>	<u>2,337,610</u>	<u>(573,588)</u>	<u>141,389</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>4,924,446</u>	<u>2,748,771</u>	<u>4,045,114</u>	<u>(1,565,926)</u>	<u>10,152,405</u>	<u>834,312</u>
Capital contributions	417,669	372,044	493,748	4,000,123	5,283,584	
Transfers out	(3,823,858)	(1,894,378)	(1,795,378)		(7,513,614)	(50,000)
Net capital contributions and transfers	<u>(3,406,189)</u>	<u>(1,522,334)</u>	<u>(1,301,630)</u>	<u>4,000,123</u>	<u>(2,230,030)</u>	<u>(50,000)</u>
Changes in net position	<u>1,518,257</u>	<u>1,226,437</u>	<u>2,743,484</u>	<u>2,434,197</u>	<u>7,922,375</u>	<u>784,312</u>
NET ASSETS - BEGINNING OF YEAR, as previously reported	4,560,430	58,608,905	57,086,278	19,138,077	139,393,690	(291,199)
Change in accounting principles	<u>(11,101,735)</u>	<u>(7,369,943)</u>	<u>(724,395)</u>	<u>(493,177)</u>	<u>(19,689,250)</u>	<u>(1,081,238)</u>
NET POSITION - BEGINNING OF YEAR, restated	<u>(6,541,305)</u>	<u>51,238,962</u>	<u>56,361,883</u>	<u>18,644,900</u>	<u>119,704,440</u>	<u>(1,372,437)</u>
NET POSITION - END OF YEAR	<u>\$ (5,023,048)</u>	<u>\$ 52,465,399</u>	<u>\$ 59,105,367</u>	<u>\$ 21,079,097</u>	<u>\$ 127,626,815</u>	<u>\$ (588,125)</u>

The notes to the financial statements are an integral part of this statement

CITY OF LODI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Cash flows from operating activities:						
Receipts from customers and users	\$ 67,309,118	15,307,357	12,403,707	544,276	\$ 95,564,458	\$ 82,739
Receipts from interfund services provided	257,410				257,410	12,010,929
Cash paid to suppliers for goods & services	(50,941,764)	(1,785,280)	(2,525,891)	(2,441,667)	(57,694,602)	(10,463,138)
Payments to employees	(6,398,576)	(3,273,694)	(2,309,985)	(327,968)	(12,310,223)	(1,067,650)
Payments for interfund services provided	(3,799)	(602,252)	(555,248)	(60,469)	(1,221,768)	
Net cash provided by (used in) operating activities	<u>10,222,389</u>	<u>9,646,131</u>	<u>7,012,583</u>	<u>(2,285,828)</u>	<u>24,595,275</u>	<u>562,880</u>
Cash flows from noncapital financing activities:						
Operating grants	234,550		613,715	1,195,418	2,043,683	
Loaned to other funds			(576,378)		(576,378)	
Loaned from other funds	576,378				576,378	
Repaid from other funds		128,571			128,571	
Received -greenhouse gas allowance	2,322,776				2,322,776	
Transfers out	(3,823,858)	(1,894,378)	(1,795,378)		(7,513,614)	(50,000)
Net cash provided by (used) in noncapital financing activities	<u>(690,154)</u>	<u>(1,765,807)</u>	<u>(1,758,041)</u>	<u>1,195,418</u>	<u>(3,018,584)</u>	<u>(50,000)</u>
Cash flows from capital and related financing activities:						
Fees received for water meter installations			56,050		56,050	
Acquisition and construction of capital assets	(867,535)	(4,945,098)	(5,617,689)	(3,576,060)	(15,006,382)	
Fees received from developers	163,985	183,994	20,301		368,280	
Capital grants received				3,455,944	3,455,944	
Principal payments on debt	(4,960,000)	(1,500,000)	(850,000)		(7,310,000)	
Interest payments on debt	(3,358,233)	(2,171,525)	(2,119,856)		(7,649,614)	
Net cash used in capital and related financing activities	<u>(9,021,783)</u>	<u>(8,432,629)</u>	<u>(8,511,194)</u>	<u>(120,116)</u>	<u>(26,085,722)</u>	
Cash flows from investing activities:						
Interest on investments	108,068	176,903	104,238	9,051	398,260	53,319
Net increase (decrease) in cash and cash equivalents	<u>618,520</u>	<u>(375,402)</u>	<u>(3,152,414)</u>	<u>(1,201,475)</u>	<u>(4,110,771)</u>	<u>566,199</u>
Cash and cash equivalents, beginning of year	17,994,607	14,338,319	27,116,296	1,740,359	61,189,581	13,574,923
Cash and cash equivalents, end of year	<u>\$ 18,613,127</u>	<u>13,962,917</u>	<u>23,963,882</u>	<u>538,884</u>	<u>\$ 57,078,810</u>	<u>\$ 14,141,122</u>

(continued)

CITY OF LODI
STATEMENT OF CASH FLOWS - continued
PROPRIETARY FUNDS
Year ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Electric	Wastewater	Water	Nonmajor Fund Transit	Total	
Reconciliation to the statement of net position:						
Cash and investments	\$ 6,383,017	13,853,935	6,755,522	538,884	\$ 27,531,358	\$ 14,141,122
Restricted cash and investments			14,832,904		14,832,904	
Restricted assets with fiscal agents - current	12,230,110	108,982	2,375,456		14,714,548	
Total cash and cash equivalents	<u>\$ 18,613,127</u>	<u>13,962,917</u>	<u>23,963,882</u>	<u>538,884</u>	<u>\$ 57,078,810</u>	<u>\$ 14,141,122</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating Income (loss)	\$ 5,533,413	4,160,956	4,935,160	(3,903,536)	\$ 10,725,993	\$ 692,923
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,658,929	4,217,932	2,752,367	1,145,770	10,774,998	1,444
Other revenues	1,360,933	590,013	483,708	314,133	2,748,787	82,639
Change in assets and liabilities:						
Increase in loans receivable	(54,631)				(54,631)	
Decrease (increase) in accounts receivable	1,712,963	(4,361)	50,165		1,758,767	
Increase in advance receivables	(744,688)				(744,688)	
Decrease (increase) in due from other governmental agencies		7,150	(306,858)		(299,708)	
Decrease (increase) in inventory	267,074	(68,270)	92,259		291,063	(31,146)
Decrease (increase) in other assets		432	(337,813)		(337,381)	100
Increase (decrease) in accounts payable and accrued liabilities	(307,096)	899,480	66,245	173,367	831,996	(15,696)
Increase (decrease) in compensated absences	(54,069)	(80,187)	11,036	(6,656)	(129,876)	(15,370)
Decrease in net pension liability and related amounts	(150,439)	(77,014)	(4,716)	(8,906)	(241,075)	(12,595)
Decrease in unearned revenue			(208,114)		(208,114)	
Decrease in self-insurance liability						(715,872)
Decrease in pollution remediation obligation			(520,856)		(520,856)	
Increase in net OPEB obligation						576,453
Net cash provided by (used in) operating activities	<u>\$ 10,222,389</u>	<u>9,646,131</u>	<u>7,012,583</u>	<u>(2,285,828)</u>	<u>\$ 24,595,275</u>	<u>\$ 562,880</u>
Noncash Investing, Capital and Financing Activities						
Capital asset contributions	\$ 253,684	188,050	417,397		\$ 859,131	
Book value of disposed capital assets	1,130,455				1,130,455	
Amortization of issuance premium	24,908	174,567	19,700		219,175	

**CITY OF LODI
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015**

	Private-Purpose Trust Funds	Agency Fund
ASSETS		
Cash and investments	\$ 238,905	\$ 428,973
Receivables:		
Interest		277
TOTAL ASSETS	238,905	429,250
LIABILITIES		
Agency obligations		429,250
NET POSITION - EXPENDABLE	\$ 238,905	\$

CITY OF LODI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year ended June 30, 2015

		Private-Purpose Trust Funds
ADDITIONS		
Investment and rental income	\$	6
DEDUCTIONS		
Current		
Library		33,812
CHANGE IN NET POSITION		(33,806)
NET POSITION, BEGINNING OF YEAR		272,711
NET POSITION, END OF YEAR	\$	238,905

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LODI
Notes to Basic Financial Statements
June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) The Financial Reporting Entity

The City of Lodi (City) was incorporated on December 6, 1906, as a municipal corporation under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public works, community development, public protection (police and fire), public utilities, library, parks and recreation.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

An elected five-member council governs the City of Lodi. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units, although legally separate entities, are, in substance, part of the City's operations and therefore, their activities are blended with data of the City.

Blended Component Units

The blended component units of the City are as follows:

The Lodi Public Improvement Corporation (LPIC) was formed on April 26, 1988, for the purpose of rendering financial assistance to the City in the issuance of the 1988 Certificates of Participation (refunded by the issuance of the 1991 Certificates of Participation) to finance the expansion of the City's White Slough Pollution Control Facility. Since then, several Certificates of Participation were issued to finance various major projects (See Note 8).

The City Council constitutes the Board of Directors of LPIC. The funds of LPIC have been included in the Enterprise (Electric and Wastewater) Funds and in the other governmental funds in the accompanying basic financial statements.

The Lodi Financing Corporation (LFC) was formed on October 12, 1999, for the purpose of assisting the City with the financing of the costs of its environmental abatement program and enhancing the water supply of the City for the use, benefit and enjoyment of the citizens served by the City. The City Council is the Board of Directors of LFC. The funds of LFC are included in the Water Fund in the accompanying basic financial statements.

The Lodi Public Financing Authority (LPFA) was created by a Joint Exercise of Powers Agreement between the City and the Industrial Development Authority (IDA) on July 21, 2010, for the purpose of assisting the City in the financings of public capital improvements. The 2010 Water Revenue Certificates of Participation Series A and B were issued in October 2010 to provide funds for a new water treatment facility. On September 1, 2012, the **\$19,080,000** Refunding Lease Revenue Bonds (2012 LRB) was issued to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

and to refund the outstanding 1995 and 1996 Certificates of Participation. The \$17,105,000 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) was also issued in September 2012 to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation (2004 COP). The 2004 COP were issued to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City.

The City Council constitutes the Board of Directors of LPFA. The funds of LPFA have been included in the Enterprise (Water) Fund in the accompanying basic financial statements.

(b) Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*, as are the proprietary fund and private-purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds use the accrual basis of accounting, but they do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal year. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, intergovernmental revenues, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available when the City receives cash.

The City reports the following major governmental 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.

The City reports the following major proprietary (enterprise) funds:

The **Electric Fund** accounts for the provision of electric services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to, source of supply, overhead, systems maintenance, customer service, engineering, administration, capital improvements, and maintenance and debt service.

The **Wastewater Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, improvements and debt service.

The **Water Fund** accounts for the provision of water to the residents of the City as well as some customers in the San Joaquin County (County). All activities to provide such services are accounted for in this fund, including, but not limited to administration, operations, distribution, maintenance, capital improvements and debt service.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the City's claims, benefits and fleet services.

The **Fiduciary Funds** account for assets held in trust for other agencies.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Private-Purpose Trust Funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments. They were established to account for assets held and invested by the Library Board as trustee; and to account for assets held by the City in accordance with a trust agreement on behalf of the Hutchins Square. These funds can only be spent in accordance with the trust agreements.

Agency Funds account for assets held by the City as a trustee or as an agent for individuals, private organizations, related organizations and/or other governmental units. This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way/Beckman Districts, the Downtown/Cherokee Lane Districts and various landscape and lighting districts around the City.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the Electric, Wastewater, Water and Transit Funds. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges for customer services including: electric, wastewater, water and public transportation fees. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Cash and Investments

The City maintains a cash and investment pool that is available for all funds of the City for the purpose of increasing interest earnings through investment activities. Investments are generally stated at fair value with the exception of guaranteed investment contracts, which are stated at cost. Income earned or losses arising from the investment of pooled cash are allocated to various funds based on month-end cash balances in accordance with California Government Code Section 53647. Changes in fair value of investments are recognized as a component of investment income.

(e) Restricted Cash and Investments

The City accounts for certain settlement payments for environmental remediation as restricted with the understanding that these funds will be used exclusively for environmental clean up, investigation or remediation expenses incurred by the City in the specified areas and that they will not be used for the payment of legal or technical fees. These funds are accounted for in the Water Fund.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(f) Restricted Assets with Fiscal Agents

Restricted assets represent the proceeds from debt and other cash and investments held by fiscal agents by agreement that meet the definition of cash and cash equivalents, with the exception of a \$2,169,850 guaranteed investment contract held in the Wastewater Fund which is a long-term investment.

In the Electric Fund, restricted assets represent the proceeds of the 2002D and the 2008 Certificates of Participation restricted for debt service. In the Wastewater Fund, the restricted assets represent the proceeds of the 2004A and the 2007A Certificates of Participation issued for improvements to the City's wastewater collection, treatment and disposal system. In the Water Fund, restricted assets represent the proceeds of the 2010A and 2010B Revenue Bonds issued for the purpose of providing funds to pay the cost of a new Water Treatment Facility.

(g) Property Taxes

County is responsible for assessing, collecting and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocation factor calculated by the County under the provisions of Proposition 13, plus a percentage of the increase in market value in specific areas. The City's property tax lien is based on the assessed value listed as of the prior January 1st for all real and personal property located in the City. Property sold after the assessment date (January 1st) is reassessed and the amount of property tax assessed is prorated. The assessed value at January 1, 2015, upon which the 2014-15 levy was based, was \$5,418,050,000.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31 and becomes delinquent after August 31.

Property taxes levied for the year ended June 30, 2015, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year end are considered "available" and are, therefore, recognized as revenue in governmental funds.

In 1993, the City made an agreement with the San Joaquin County to participate in the Teeter Plan. The Teeter plan is an alternative method of apportioning property tax money. The City receives 95% of the property taxes in advance from the County and the 5% remaining after reconciling the City's balance at June 30. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes.

(h) Due From/Due To Other Funds, Advances To/Advances From Other Funds, and Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." Long-term interfund loans

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

receivable are reported as "advances to other funds." The corresponding long-term interfund loans payable are reported as "advances from other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Receivables and payables between the governmental activities and the business-type activities are classified as internal balances.

(i) Transfers

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of fiscal year.

Reimbursements for expenditures/expenses, initially made by one fund that is properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

(j) Long-term Obligations

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium. Losses occurring from advance refunding are reported as deferred outflows of resources and amortized as an expense for both governmental and business-type activities.

(k) Loans Receivable

Loans receivable reported in the HOME Program and Community Development Block Grants Special Revenue Fund represent funds loaned to first-time homebuyers. Loans receivable in the Electric Enterprise Fund represent loans to eligible industrial and commercial customers participating in the Lodi Energy Efficiency Financing Pilot Project.

In December 2009, the City entered into a contractual relationship with the California Department of Housing and Community Development (HCD) to administer a First-time Homebuyers Program. The loan program is intended to provide deferred down-payment assistance to first-time homebuyers who are at or below 80% of the median income, for the purchase of homes within Lodi. The loan bears 2% interest and is due and payable 30 years from close of escrow, upon transfer of the property or when the home is no longer owner-occupied, whichever comes first.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

In October 2010, the City established a loan fund in its public benefits program from which G2 electric utility rate commercial and industrial customers may borrow money to implement energy conservation projects in their facilities. The loan is at zero interest rate payable in two years capped at \$50,000 per customer. As of June 30, 2015, a total of twenty-one loans to industrial and commercial customers have been approved.

(l) Advance Receivable

Advance receivable reported in the Electric Enterprise Fund represents the City's portion of the Northern California Power Agency's (NCPA) General Operating Reserve that is refundable upon demand by the City (See Note 12).

(m) Inventory

Other governmental funds inventories are recorded at cost and are recognized as expenditures when consumed rather than when purchased. For the proprietary fund types, inventories are recorded at cost using the weighted average cost method, which approximates market, and expense is recognized when inventories are consumed in operations.

(n) Deferred Outflows and Inflows of Resources

Unamortized Losses on Defeasance

Deferred outflows of resources reported in the Electric Enterprise Fund and business-type activities include refunding loss incurred in connection with the issuance of the 2008 Certificates of Participation Series A amortized over 24 years. The deferred outflows of resources reported in the Wastewater Enterprise Fund and business-type activities include refunding loss incurred on the issuance of the 2007A Certificates of Participation amortized over 20 years and the 2012 Refunding Revenue Bonds amortized over 11 years. Deferred outflows of resources reported in the governmental activities represent refunding loss incurred with the issuance of the 2012 Refunding Lease Revenue Bonds.

Related to Pensions

Pension contributions made in the current year are reported as deferred outflows of resources per GASB Statement No. 71 as the CalPERS' valuation measurement date is June 30, 2014. Those contributions will be expensed in fiscal year 2015-16. Plan earnings in excess of earnings projected in the CalPERS actuarial report are reported as deferred inflows of resources.

Unavailable Revenue

The unavailable revenue in the other governmental funds is related to the HCD's First-time Homebuyers Program.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(o) Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, infrastructure (e.g., streets, streetlights, traffic signals, sidewalks, and bridges), and electric lines, wastewater lines and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with individual cost of \$3,000 or more and have an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the General and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. As required by the Governmental Accounting Standards Board Statement No. 34, beginning July 1, 2002, the City has capitalized infrastructure, primarily its network of streets, as part of the capital assets shown in the governmental activities column on the government-wide statement of net position. This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	3 - 40
Machinery and equipment	2 - 40
Vehicles	5 - 15
Infrastructure	10 - 50

(p) Compensated Absences/Vacation and Sick Leave

The City accrues for compensated absences, in the government-wide financial statements and the proprietary funds financial statements, to pay its employees for the unused vacation, compensatory time, and miscellaneous leave. The City is not obligated to pay for unused sick leave if employees terminate prior to retirement.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(q) Pensions

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

GASB Statement No. 68 requires 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:	June 30, 2013
Measurement Date:	June 30, 2014
Measurement Period:	July 1, 2013 to June 30, 2014

(r) Self-Insurance

The City is self-insured for general liability, workers' compensation, dental benefits, unemployment and long-term disability. Various City funds are charged premiums for the City's self-insurance liability, which is accounted for in an internal service fund. The accrued liability for estimated self-insured claims represents an estimate of the eventual loss on claims arising prior to year-end including claims incurred but not reported.

(s) Net Position

In the government-wide and proprietary funds financial statements, net position is reported in one of three categories:

Net Investment in Capital Assets – This category consists of capital assets net of accumulated depreciation and reduced by deferred outflows of resources and outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – Assets restricted by external creditors, grantors, contributors, or laws or regulations of other governments reduced by liabilities related to those assets.

Unrestricted Net Position – This category consists of all net position that does not meet the definition of net investment in capital assets or restricted net position.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(t) Fund Balance

Fund balances presented in the governmental fund financial statements represent the difference between assets, liabilities and deferred inflows of resources. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that the fund balances be classified in categories based upon the type of restrictions imposed on the use of funds. The City evaluated each of its funds at June 30, 2015 and classified fund balances into the following five categories:

Nonspendable – Amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund or (2) legally or contractually required to remain intact.

Restricted – Amounts that are restricted by external parties such as creditors or imposed by grants, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City has legislative restrictions on amounts collected and reported in the City's various governmental funds.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action by the City's "highest level of decision-making authority", which the City considers to be an ordinance passed by the Lodi City Council.

Assigned – Amounts that have been allocated by action of the Lodi City Council in which the City's intent is to use the funds for a specific purpose. Once assigned, funds may only be released by resolution of the City Council.

Unassigned – Amounts that constitute the residual balances that have no restrictions placed upon them and are reported in the General Fund. For other governmental funds, as restrictions exceed available resources only deficit amounts are reported in the unassigned category.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City does not have a policy on the order of spending unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the City uses committed resources first, then assigned resources and unassigned resources last as they are needed.

It is the City's policy to maintain an unassigned fund balance in the General Fund of at least 16% of revenues and working capital balances in the Water and Wastewater enterprise funds of at least 25% of operating expenses and the target for the Electric Enterprise Fund working capital is

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

\$23.7 million. The policy allows for variations from year-to-year to account for economic and fiscal changes. The City Council also adopted a policy to establish the following reserves:

Catastrophic reserve - To maintain the ability of the City to meet operational costs during times of declared emergency or major catastrophe, the City shall designate General Fund balance of a minimum of 8% of annual General Fund revenues. This reserve may only be drawn upon pursuant to an emergency as declared under the Municipal Code.

Economic reserve - To maintain the City's economic viability and to meet seasonal cashflow shortfalls, the City shall designate General Fund economic reserve balance of a minimum of 8% of annual General Fund revenues. Funding the economic reserve will begin in the fiscal year following full funding of the catastrophic reserve. Funding may only be disbursed upon a resolution of the City Council.

Once fully funded, if these reserves fall below 5% of annual revenues, the City Manager shall prepare a plan within three months of approval of the City's Financial Statements. This plan will restore the 5% within 12 months and the 8% within 24 months.

(u) Statement of Cash Flows

A statement of cash flows is presented for proprietary fund types. For purposes of reporting cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased and investments maintained in the pool to be cash equivalents.

(v) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(w) Implementation of New Governmental Accounting Standards

During the year ended June 30, 2015, the City implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (collectively, the Statements). The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. It requires employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The net pension liability offset by the related deferred outflows of resources as of June 30, 2014 reduced the City's beginning net position of its governmental activities, business-type activities, Electric Fund, Wastewater Fund, Water Fund, Transit Fund, and internal service funds by \$80,965,314, \$19,689,250, \$11,101,735, \$7,369,943, \$724,395, \$493,177, and \$1,081,238, respectively.

(x) Future Implementation of New Governmental Accounting Standards

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for the City's year ending June 30, 2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statement Nos. 67 and 68. The requirements of this statement are effective for the City's year ending June 30, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the City's year ending June 30, 2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the hierarchy of generally accepted accounting principles to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specific with a source of authoritative GAAP. The requirements of this statement are effective for the City's year ending June 30, 2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this statement are effective for the City's year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized cost for financial reporting purposes. Pool participants should also measure their investments at amortized cost if the external pool meets these criteria. If an external investment pool does not meet the criteria, then the pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Pool participants should measure their investments in that pool at external investment pools that measure all of their investments at amortized cost and for governments that participate in those pools. The

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

requirements of this statement are effective for the City's year ending June 30, 2017.

(2) CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Government-wide statement of net position:	
Cash and investments	\$ 68,879,497
Restricted assets	31,717,302
Fiduciary funds cash and investments:	
Private-purpose trust funds	238,905
Agency fund	<u>428,973</u>
Total cash and investments	<u>\$ 101,264,677</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 3,071
Deposits with financial institutions	8,583,383
Investments	<u>92,678,223</u>
Total cash and investments	<u>\$ 101,264,677</u>

(a) Authorized Investments

The City has adopted an investment policy pursuant to Government Code Section 53601 which authorizes the City to invest in obligations of the U.S. Treasury, U.S Government agency securities and instruments, bankers' acceptances, certificates of deposit, negotiable certificates of deposit, commercial paper, State of California Local Agency Investment Fund (LAIF), Investment Trust of California (CALTRUST), Certificate of Deposit Account Registry Service (CDARS), mutual funds that invest in eligible securities, supranationals and medium term notes as permitted by the Government Code. The City is not authorized to enter into reverse repurchase agreements. The City selects its investments based on safety, liquidity and yield.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The following table identifies the permitted investment types authorized per the City's investment policy. The table also identifies certain provisions that address interest rate risk and concentration of credit risk.

Permitted Investments/Deposits	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One issuer
U.S. Treasury Obligations	5 years	100%	
U.S. Agency Securities	5 years	100%	
Banker's Acceptances	180 days	40%	25%
Certificates of Deposit	5 years	100%	
Negotiable Certificates of Deposit	5 years	30%	
Commercial Paper	270 days	40%	
California State Local Agency Investment Fund (LAIF)	Indefinite	100%	\$50m per account
Passbook Deposits	Indefinite	100%	
Money Market Mutual Funds	Indefinite	20%	
Guaranteed Investment Contracts (GICs)	5 years	100%	
Medium term Notes	5 years	30%	
Investment Trust of California (CALTRUST)	Indefinite	100%	
Certificate of Deposit Account Registry Service (CDARS)	5 years	30%	
Supranational Obligations	5 years	30%	

(b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by the provisions of the debt agreements as to the extent that they are permissible investments of funds of the City.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

<u>Investment as of June 30, 2015</u>	<u>Maturity</u> <u>Less than One Year</u>	<u>Maturity</u> <u>One to Five Years</u>	<u>Total</u>
LAIF	\$ 31,944,790		\$ 31,944,790
CALTRUST		43,615,455	43,615,455
Money Market Mutual Funds	123,254		123,254
Held by bond trustee:			
Negotiable Certificates of Deposit	1,010,755	3,539,300	4,550,055
U.S. Agency Securities		631,224	631,224
LAIF	1,737,159		1,737,159
Money Market Mutual Funds	7,796,111		7,796,111
Guaranteed investment contracts (GICs)		2,169,850	2,169,850
Total investments subject to interest rate risk	<u>\$ 42,612,069</u>	<u>49,955,829</u>	92,567,898
Equities and options			110,325
Total investments			<u>\$ 92,678,223</u>

Investments in equities are shares of stock received by the Library as an endowment from a private citizen.

(d) Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money market mutual funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by S&P of "AAA-m." The GICs and LAIF do not have a rating provided by a nationally recognized statistical rating organization. The CALTRUST Short term fund is rated "AA/S1+" by S&P while the CALTRUST Medium term fund is rated "A or better." The negotiable certificates of deposit are all rated AAA.

In accordance with the City's investment policy in selecting authorized investments, consideration must be given to credit ratings and collateralization of applicable instruments, however, the City does not have a minimum credit rating limitations policy.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(e) Concentration of Credit Risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in LAIF, CALTRUST, and money market mutual funds are not subject to the concentration of credit risk disclosure. There are no investments with any one issuer greater than 5% of total investments.

(f) 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 collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision 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. 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 deposits. \$9,652,164 of the City's deposits with financial institutions, which exceeded federal depository insurance limits, was collateralized in this fashion.

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 the 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

(g) Investments in Investment Pools

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested by all public agencies in LAIF at June 30, 2015 was \$21.5 billion. LAIF is part of the California Pooled Investment Account (PMIA), which at June 30, 2015 had a balance of \$69.6 billion. Of this amount, 2.08% was invested in medium-term and short-term structured notes and asset-backed securities. PMIA is not SEC-registered, but is required to invest according to California State Code. The average maturity of PMIA investments was 239 days as of June 30, 2015.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool of shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's portion of the pool. Withdrawals from LAIF are done on a dollar for dollar basis.

In accordance with GASB Statement 31, investments are marked to fair value annually and an adjustment is made to each fund accordingly. However, actual daily activity is done on a dollar to dollar basis and only a withdrawal from the pool size that jeopardizes pool participants would cause the withdrawal to be done at market value.

The City is also a participant in the Investment Trust of California Joint Powers Authority Pool (CALTRUST). At June 30, 2015, the City's investment in CALTRUST is \$43.6 million. CALTRUST is an innovative partnership between the CSAC Finance Corporation and the League of California Cities to provide a convenient method for local agencies to pool their assets for investment. The weighted average to maturity of CALTRUST investments was as follows: CALTRUST Short Term, 16 months and CALTRUST Medium, 24 months. The Board of Trustees, which is made up of experienced local treasurers and Investment Officers has oversight responsibility for CALTRUST. The value of the pool shares in CALTRUST, which may be withdrawn, is determined on a fair value basis, which may be different than the amortized cost of the City's portion of the pool. The total amount invested in CALTRUST by California public agencies, as of June 30, 2015 was divided among the following asset classes: CALTRUST Short term was \$989 million and CALTRUST Medium Term was \$790 million.

(3) ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Receivables of the General Fund, Electric, Wastewater and Water funds are reported net of uncollectible amounts. Total allowance provided for uncollectible amounts related to receivables of the current period are as follows:

Uncollectibles related to late charges and services	\$	4,090
Uncollectibles related to electric sales and services		178,970
Uncollectibles related to wastewater services		47,980
Uncollectibles related to water sales and services		75,800
Total uncollectibles of the current fiscal year	\$	306,840

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(4) INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables at June 30, 2015 are as follows:

Due from	Due to	Amount
Other governmental	Other governmental	\$ <u>93,114</u>

“Due to” and “due from” balances are recorded primarily when funds overdraw their share of pooled cash or when there are short-term loans between funds. The \$93,114 represents cash deficits in other governmental funds.

Advances from	Advances to	Amount
Wastewater	Other governmental	\$ 376,429
Water	Electric	576,378
Water	Other governmental	<u>1,174,025</u>
		\$ <u>2,126,832</u>

The \$376,429 advance from the Wastewater Fund was used for the Impact Mitigation Fees update, \$55,000; and \$321,429 was used for the Grape Bowl Improvements - Phase 3. The advances from the Water Fund were used for the City Hall Annex Phase 2, \$576,378; and for the construction of Fire Station #4, \$1,174,025.

(5) TRANSFERS

Transfers for the year ended June 30, 2015, are summarized as follows:

		<u>Transfers in</u>		
		Other		
<u>Transfers out:</u>	General	Governmental	Total	
General	\$	7,128,586	\$	7,128,586
Other governmental		907,176		907,176
Electric	2,104,000	1,719,858		3,823,858
Wastewater	1,068,000	826,378		1,894,378
Water	780,000	1,015,378		1,795,378
Internal service		50,000		50,000
Total	\$	<u>3,952,000</u>	\$	<u>15,599,376</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

During the year, various interfund transfers were made to finance expenditures, subsidize operating losses and service debt.

Transfers out of \$2,104,000 from the Electric Fund, \$1,068,000 from the Wastewater Fund, and \$780,000 from the Water Fund represent the cost of services reimbursement to the General Fund.

The transfer of \$7,128,586 from the General Fund to other governmental represents transfer of \$509,403 to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds; \$3,583,243 to Parks, Recreation and Community Services for operating costs; \$126,160 to Community Development for operating costs; \$806,780 to the Vehicle and Equipment Fund for vehicle replacements and computer replacements; and \$1,511,200 to the Capital Outlay Reserve Fund for various capital projects; and \$591,800 to the Streets Fund for various streets projects.

The transfer out of \$907,176 from other governmental to other governmental includes \$335,410 transferred from Parks, Recreation and Community Services to the Debt Service Fund for the interest required to pay the 2012 Refunding Lease Revenue Bonds, transfer of \$150,500 from Parks, Recreation and Community Services to Parks Capital Fund for park-related capital projects, transfer of \$189,000 from Streets and \$125,300 transfer from Vehicle and Equipment Fund to Capital Outlay Reserve for various capital projects, and transfer of \$2,510 from the Community Development, \$31,866 from Public Safety and \$72,590 from the Parks, Recreation and Community Services to the Vehicle and Equipment Fund for fleet replacement.

The transfer out from the Electric Fund of \$1,719,858, transfer out from Wastewater Fund for \$826,378, Water Fund for \$1,015,378, and \$50,000 from the Insurance Fund, to other governmental represent transfers to the Capital Outlay Reserve Fund for various capital projects.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(6) CAPITAL ASSETS

Capital assets activity of the primary government for the year-ended June 30, 2015, was as follows:

<u>Governmental activities</u>	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 24,933,134	14,700		\$ 24,947,834
Work of Art	304,907			304,907
Construction in progress	<u>4,407,042</u>	<u>7,955,423</u>	<u>(237,786)</u>	<u>12,124,679</u>
Total capital assets, not being depreciated	<u>29,645,083</u>	<u>7,970,123</u>	<u>(237,786)</u>	<u>37,377,420</u>
Capital assets, being depreciated:				
Buildings and improvements	68,538,889			68,538,889
Machinery and equipment	11,335,038	329,853	(58,053)	11,606,838
Vehicles	10,346,394	696,076		11,042,470
Infrastructure	<u>140,164,672</u>	<u>237,786</u>		<u>140,402,458</u>
Total capital assets, being depreciated	<u>230,384,993</u>	<u>1,263,715</u>	<u>(58,053)</u>	<u>231,590,655</u>
Less accumulated depreciation for:				
Buildings and improvements	30,250,848	1,943,658		32,194,506
Machinery and equipment	10,608,625	507,040	(58,053)	11,057,612
Vehicles	9,028,154	255,649		9,283,803
Infrastructure	<u>84,893,997</u>	<u>5,834,705</u>		<u>90,728,702</u>
Total accumulated depreciation	<u>134,781,624</u>	<u>8,541,052</u>	<u>(58,053)</u>	<u>143,264,623</u>
Total capital assets, being depreciated, net	<u>95,603,369</u>	<u>(7,277,337)</u>		<u>88,326,032</u>
Governmental activities capital assets, net	<u>\$ 125,248,452</u>	<u>692,786</u>	<u>(237,786)</u>	<u>\$ 125,703,452</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

<u>Business-type activities</u>	Balance			Balance
	June 30, 2014	Increases	Decreases	June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 5,535,718			\$ 5,535,718
Construction in progress	4,029,855	10,449,092		14,478,947
Total capital assets, not being depreciated	9,565,573	10,449,092		20,014,665
Capital assets, being depreciated:				
Buildings and improvements	47,395,387			47,395,387
Machinery and equipment	265,429,564	2,353,163	(1,972,823)	265,809,904
Vehicles	9,773,724	3,063,258	(1,600,595)	11,236,387
Total capital assets, being depreciated	322,598,675	5,416,421	(3,573,418)	324,441,678
Less accumulated depreciation for:				
Buildings and improvements	16,264,541	1,790,629		18,055,170
Machinery and equipment	74,231,485	7,989,032	(842,368)	81,378,149
Vehicles	7,059,271	995,337	(1,600,595)	6,454,013
Total accumulated depreciation	97,555,297	10,774,998	(2,442,963)	105,887,332
Total capital assets, being depreciated, net	225,043,378	(5,358,577)	(1,130,455)	218,554,346
Business-type activities capital assets, net	\$ 234,608,951	5,090,515	(1,130,455)	\$ 238,569,011

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

General government	\$ 524,974
Public protection	898,317
Public works	5,942,856
Community development	4,515
Library	72,651
Parks and recreation	1,096,295
Internal service funds	<u>1,444</u>
Total depreciation expense - governmental activities	<u>\$ 8,541,052</u>

Business-type activities:

Electric	\$ 2,658,929
Wastewater	4,217,932
Water	2,752,367
Transit	<u>1,145,770</u>
Total depreciation expense - business-type activities	<u>\$ 10,774,998</u>

(7) OPERATING LEASES

The City is obligated under an operating lease for the use of facilities. Total costs for such lease was \$21,000 for the year ended June 30, 2015.

Future minimum lease payments required by this lease agreement that has a remaining noncancellable lease term of one year or more as of June 30, 2015, are as follows:

<u>Years Ending</u>		
2016	\$	21,000
Total minimum lease payments required under operating leases	\$	<u>21,000</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(8) LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2015:

	<u>Interest Rates</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental activities:						
Compensated absences		\$ 6,391,050	1,490,475	(2,069,485)	\$ 5,812,040	\$ 1,490,475
2012 Lease Revenue Bonds	2.0-5.0%	19,080,000			19,080,000	260,000
Issuance premium		924,080		(53,830)	870,250	53,830
Total		20,004,080		(53,830)	19,950,250	313,830
Note payable	6.0%	245,000			245,000	
Self-insurance liability		9,021,759	634,932	(1,350,804)	8,305,887	634,932
Governmental activities long-term liabilities		\$ 35,661,889	2,125,407	(3,474,119)	\$ 34,313,177	\$ 2,439,237

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

	<u>Interest Rates</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Business-type activities:						
Compensated absences		\$ 1,844,614	527,570	(657,446)	1,714,738	\$ 527,569
Pollution remediation obligation		19,112,962		(520,856)	18,592,106	
Certificates of Participation and Revenue Bonds:						
2010 Water Revenue Bonds A & B	2.50-6.637%	36,265,000		(850,000)	35,415,000	870,000
Issuance premium		512,205		(19,700)	492,505	19,700
Total		36,777,205		(869,700)	35,907,505	889,700
2008 Certificates of Participation A	3.8-5.05%	60,685,000			60,685,000	
Issuance premium		448,356		(24,908)	423,448	24,909
Total		61,133,356		(24,908)	61,108,448	24,909
2002 Certificates of Participation D	1.54-5.25%	10,155,000		(4,960,000)	5,195,000	5,195,000
2004 Certificates of Participation A	2.0-5.5%	2,070,000			2,070,000	
2007 Certificates of Participation A	4.0-5.0%	29,605,000		(145,000)	29,460,000	155,000
Issuance premium		192,582		(8,254)	184,328	8,253
Total		29,797,582		(153,254)	29,644,328	163,253
2012 Wastewater Revenue Bonds A	2.0-5.0%	15,825,000		(1,355,000)	14,470,000	1,380,000
Issuance premium		1,538,399		(166,313)	1,372,086	166,313
Total		17,363,399		(1,521,313)	15,842,086	1,546,313
Total Certificates of Participation and Revenue Bonds		157,296,542		(7,529,175)	149,767,367	7,819,175
Business-type activities long-term liabilities		\$ 178,254,118	527,570	(8,707,477)	\$ 170,074,211	\$ 8,346,744

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, internal service funds self-insurance liability for \$8,305,887 was included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the internal service funds.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Long-term debt payable at June 30, 2015, comprised of the following individual issues:

Note Payable

The City issued a \$245,000 promissory note to James E. Dean and Carol Dean, as trustees of the James E. Dean Family Trust, for the purchase of 307 W. Elm Street property, which is the site of the Public Safety Building. Interest is payable quarterly and principal is due on April 1, 2017.

Annual debt service requirements to maturity of the note payable are as follows:

Year Ending <u>June 30,</u>	Governmental Activities	
	Principal	Interest
2016	\$	\$ 14,700
2017	245,000	11,025
Total	\$ 245,000	\$ 25,725

Certificates of Participation and Revenue Bonds

\$27,360,000 Certificates of Participation (2004A COP) were issued on May 12, 2004 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City. Principal is payable annually on October 1 in amounts from \$170,000 to \$2,070,000 with final payment due October 1, 2024. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$2,954,925. Interest paid for the current year and total net revenues were \$98,325 and \$9,509,480, respectively.

\$30,320,000 Certificates of Participation (2007A COP) were issued on November 16, 2007 to provide funds to finance the costs of certain improvements to the wastewater collection, treatment and disposal system of the City and to provide resources for the repayment of the 1991 Certificates of Participation (Wastewater Treatment Plant Expansion Refunding Project). Principal is payable annually on October 1 in amounts ranging from \$105,000 to \$2,980,000 with final payment due October 1, 2037. The City has pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$52,429,588. Principal and interest paid for the current year and total net revenues were \$1,602,850 and \$9,509,480, respectively.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

\$22,740,000 Revenue Certificates of Participation Series D (2002 COP) were issued to buy out the energy purchase agreement with Calpine.

In February 2001, the City entered into an energy purchase agreement (the Original Agreement) with Calpine Energy Services L.P. (Calpine) to purchase 25 MW of energy at \$65/mwh for a ten-year period beginning January 1, 2002. Since the execution of the Original Agreement, actions of the State in connection with the energy market conditions, including the initiation of conservation programs, and other factors, have resulted in lower electric load requirements and reduced energy costs throughout the State. As a result, the City's need for the energy purchased under the Original Agreement to serve its load has been reduced. The Original Agreement was amended on September 4, 2002, and was divided into three parts. The City sold its interests in the energy purchased under the Original Agreement to Calpine and nets the payments due from the City with respect to its purchase of such energy against the payments due from Calpine with respect to its purchase of the City's rights to such energy. Principal is payable annually on July 1 in amounts ranging from \$110,000 to \$5,195,000 with final payment due July 1, 2015.

The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$5,331,368. Principal and interest paid for the current year and total net revenues were \$5,360,458 and \$15,016,570.

The City issued **\$60,685,000** Certificates of Participation (2008A COP) on July 24, 2008 to allow the City to prepay and cause the immediate defeasance of the outstanding \$46,760,000 Certificates of Participation (Electric System Revenue Certificates of Participation 2002 Series A Variable Rate Certificates) and to pay \$8,979,000 for the termination of a swap agreement related to the refunded 2002 certificates. Principal is payable annually on July 1 in amounts ranging from \$2,390,000 to \$5,090,000 beginning in 2016 with final payment due in 2032. The City has pledged future electric revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$90,900,400. Interest paid for the current year and total net revenues were \$2,957,775 and \$15,016,570, respectively.

On October 1, 2010, the City issued **\$9,015,000** Water Revenue Bonds, 2010 Series A and **\$29,650,000** Water Revenue Bonds, 2010 Series B (Federally taxable - Build America Bonds) (2010 Bonds) to finance the construction of the Surface Water Treatment Facility which is designed to pump water from the Mokelumne River, treat and deliver it to the City's water distribution system. Principal is payable annually on June 1 in amounts ranging from \$775,000 to \$2,210,000 with final payment due June 1, 2040. The City has pledged future water revenues, net of operation and maintenance costs, to repay these certificates. The total principal and interest remaining to be paid on the certificates is \$69,267,196. Principal and interest paid for the current year and total net revenues were \$2,356,141 and \$7,554,798, respectively.

The City issued **\$19,080,000** Refunding Lease Revenue Bonds (2012 LRB) on September 1, 2012 to allow the City to prepay and cause the immediate defeasance of the outstanding \$21,025,000 Certificates of Participation (2002 COP). The 2002 COP were issued in January 2002 to provide funds to finance the costs of constructing, furnishing and equipping a new police building and jail for the City, to finance portions of certain other projects and to refund the outstanding 1995 and 1996 Certificates of Participation. As of June 30, 2015, there are no outstanding balances of these refunded Certificates. The 1995 Certificates of Participation (1995 COP) were sold in October 1995 to finance the City Downtown Revitalization and the Cherokee Lane Beautification projects. The 1996 Certificates of Participation (1996 COP) were sold in August 1996 to finance the construction of the Hutchins Square Conference and Performing Arts Center. The total principal and interest remaining to be

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

paid on the 2012 LRB is \$27,455,956. Principal is payable annually on October 1 in amounts ranging from \$260,000 to \$1,605,000 beginning in 2016 with final payment due in 2031. Interest paid for the current year was \$844,812.

The City issued **\$17,105,000** 2012 Refunding Wastewater Revenue Bonds (2012 Bonds) to advance refund the \$17,115,000 principal amount of the 2004 Wastewater Revenue Certificates of Participation. The City pledged future wastewater revenues, net of specified operating expenses, to repay these certificates. The total principal and interest remaining to be paid on the 2012 Bonds is \$17,513,950. Principal is payable annually on October 1 in amounts ranging from \$1,280,000 to \$1,885,000 beginning in 2013 with final payment due in 2023. Principal and interest paid for the current year and total net revenues were \$1,970,350 and \$9,509,480 respectively. At June 30, 2015, the remaining balance of the refunded debt is \$0.

The various indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

Annual debt service requirements to maturity for certificates of participation and bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 260,000	\$ 840,913	\$ 7,600,000	\$ 7,324,025
2017	830,000	824,563	4,880,000	6,969,356
2018	860,000	794,912	5,110,000	6,767,006
2019	900,000	755,212	5,310,000	6,540,606
2020	930,000	721,087	5,535,000	6,304,106
2021-2025	5,345,000	2,903,717	32,040,000	27,359,983
2026-2030	6,810,000	1,404,480	37,270,000	18,407,003
2031-2035	3,145,000	131,072	32,370,000	8,810,488
2036-2040			17,180,000	2,619,854
Total	\$ 19,080,000	\$ 8,375,956	\$ 147,295,000	\$ 91,102,427

Industrial Development Bonds

The City of Lodi has lent its name to the City of Lodi Industrial Development Authority for the purpose of issuing the following industrial development bonds: Minton Corporation \$5,000,000; Dart Corporation \$8,000,000; Wallace Computer Services \$3,000,000; and Luster-Cal Nameplate Corporation \$3,000,000. These bonds are special obligation bonds only, payable solely out of the bond revenues or other sources of

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

the above companies and are not a pledge of the general credit of the City. The City is not obligated for the redemption or administration of these industrial development bonds.

Woodbridge Irrigation District Bonds

On October 8, 2003, the City lent its name to the Woodbridge Irrigation District (the "District") in the procurement of \$11.745 million 2003 Revenue Certificates of Participation, to provide funds to finance the costs of construction of a new diversion dam on the Mokelumne River and related facilities of the water district. A significant portion of the District's sources of payment for the 2003 Certificates are expected to be derived from amounts to be received by the District from the City of Lodi pursuant to an Agreement for the purchase of water from the District by the City of Lodi, dated May 13, 2003 (the "Lodi Water Sales Agreement"). Under the agreement, the City will purchase 6,000 acre feet of water per annum from the District for 40 years.

(9) PENSION PLAN

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous and Safety Plans (Plans), agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 10 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.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan		
	Prior to		On or after
	<u>January 1, 2013</u>		<u>January 1, 2013</u>
Hire date			
Benefit formula	2% @ 55		2% @ 62
Benefit vesting schedule	5 years of service		5 years service
Benefit payments	monthly for life		monthly for life
Retirement age	50-55		52-67
Monthly benefits, as a % of eligible compensation	2%-2.418%		1% to 2.5%
Required employee contribution rates	7%		6.75%
Required employer contribution rates	19.994%		19.994%
	Safety Plan		
	Prior to	December 22, 2012 to	On or after
	<u>December 22, 2012</u>	<u>December 31, 2012</u>	<u>January 1, 2013</u>
Hire date			
Benefit formula	3% @ 50	3% @ 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	50-55	50-57
Monthly benefits, as a % of eligible compensation	3%	2.4% to 3%	2% to 2.7%
Required employee contribution rates	9%	9%	11.25%
Required employer contribution rates	40.87%	40.87%	40.87%

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Employees Covered

At June 30, 2013, the most recent actuarial valuation available, the following employees were covered by the benefits of the City's Plans:

	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	355	158
Inactive employees entitled to but not yet receiving benefits	134	16
Active employees	256	118
Total	<u>745</u>	<u>292</u>

Contributions

For the year ended June 30, 2015, the City's actuarially determined contributions were as follows:

	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	355	158
Inactive employees entitled to but not yet receiving benefits	134	16
Active employees	256	118
Total	<u>745</u>	<u>292</u>

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

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Investment Rate of Return	7.5% (1)	7.5% (1)
Mortality	Based on rates of CalPERS Experience Study	

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial by the City.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 ⁽¹⁾</u>	<u>Real Return Years 11+ ⁽²⁾</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5 percent used for this period.

(2) An expected inflation of 3.0 percent used for this period.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (1)	\$ 158,694,446	\$ 111,971,008	\$ 46,723,438
Changes in the year:			
Service cost	2,478,901	-	2,478,901
Interest on the total pension liability	11,705,179	-	11,705,179
Contribution - employer	-	2,694,850	(2,694,850)
Contribution - employee	-	1,237,916	(1,237,916)
Net investment income (2)	-	19,249,151	(19,249,151)
Benefit payments, including refunds of employee contributions	(7,729,680)	(7,729,680)	-
Net changes during measurement period	<u>6,454,400</u>	<u>15,452,237</u>	<u>(8,997,837)</u>
Balance at June 30, 2014	<u>\$ 165,148,846</u>	<u>\$ 127,423,245</u>	<u>\$ 37,725,601</u>

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013 (1)	\$ 154,077,401	\$ 93,345,381	\$ 60,732,020
Changes in the year:			
Service cost	3,048,048	-	3,048,048
Interest on the total pension liability	11,390,793	-	11,390,793
Contribution - employer	-	4,106,044	(4,106,044)
Contribution - employee	-	1,058,376	(1,058,376)
Net investment income (2)	-	16,070,261	(16,070,261)
Benefit payments, including refunds of employee contributions	(7,448,361)	(7,448,361)	-
Net changes during measurement period	<u>6,990,480</u>	<u>13,786,320</u>	<u>(6,795,840)</u>
Balance at June 30, 2014	<u>\$ 161,067,881</u>	<u>\$ 107,131,701</u>	<u>\$ 53,936,180</u>

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self insurance and OPEB expense.

(2) Net of administrative expenses.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each 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:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$58,879,248	\$75,439,730
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$37,725,601	\$53,936,180
1% Increase	8.50%	8.50%
Net Pension Liability	\$20,138,259	\$36,195,422

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports

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

For the year ended June 30, 2015, the City recognized pension expense of \$2,515,043 and \$4,662,330 for the Miscellaneous and Safety Plans, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,252,760	\$	\$ 3,995,128	\$
Net differences between projected and actual earnings on plan investments		8,818,030		7,352,126
Total	<u>\$ 3,252,760</u>	<u>\$ 8,818,030</u>	<u>\$ 3,995,128</u>	<u>\$ 7,352,126</u>

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The \$3,252,760 and \$3,995,128 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Miscellaneous Plan	Safety Plan
2016	\$ 2,204,507	\$ 1,838,032
2017	2,204,507	1,838,032
2018	2,204,507	1,838,032
2019	2,204,509	1,838,030
Total	\$ 8,818,030	\$ 7,352,126

(10) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

(a) Plan Description

The City sponsors a single-employer defined-benefit postemployment healthcare plan (Retiree Health Plan) to provide medical insurance benefits to eligible retired employees and their spouses. The Plan does not issue a publicly available financial report. Medical coverage is provided through CalPERS healthcare program. Employees who retire from the City and receive a CalPERS pension are eligible for postemployment medical benefits. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. In general, retirees must contribute any premium amounts in excess of the City contribution. However, as described below, a closed group of active employees and retirees receive additional postemployment benefits.

Employees hired prior to the dates shown in the following table are allowed to convert their accumulated sick leave into postemployment medical benefits at retirement as long as they have ten or more years of service with the City.

Group	Hired prior to:
Executive Management	July 1, 1994
Mid-Management	July 1, 1994
Fire Mid-Management	December 6, 1995
Police Mid-Management	July 1, 1994
General Services	July 1, 1995
IBEW	July 1, 1995

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Maintenance and Operators	July 1, 1995
Dispatchers	July 9, 1994
Police	October 10, 1994
Fire	December 6, 1995

The most widely elected options are the "Bank" option and the "Conversion" option. Under the "Bank" option, accumulated sick leave amounts are translated by specified formulas into a bank amount that is then used to pay postemployment healthcare premiums until the "Bank" is exhausted. Under the "Conversion" option, the accumulated sick leave hours are converted by specified formulas into a period of time during which the retiree will receive postemployment benefits. The number of hours is multiplied by 50% and converted to days. The City pays one month's premium for employee and dependents for each day after conversion. For each year of employment in excess of ten years, 2.5% is added to the 50% before conversion. The amount of premium paid will be the same as the premium paid by the City at the time of retirement. In the event that the premium increases, the retiree pays the difference.

The City also allows a surviving dependent of a retiree to enroll in the Sick Leave Conversion program to purchase medical insurance at the employee only premium for the same period as if the retiree was still alive. Retirees are allowed to enroll in any of the available CalPERS medical plans. The CalPERS minimum amount will continue for the life of the retiree and surviving spouse. The "Conversion" benefit will continue until the end of a period that is based on accumulated sick leave at retirement.

(b) Funding Policy

Contribution requirements of the Retiree Health Plan are based on pay-as-you-go financing. For fiscal year 2014-15, the City contributed \$699,748, or 54.83%, of the actuarially required contributions.

(c) Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$	1,315,853
Interest on net OPEB obligation		190,691
Adjustment to annual required contribution		<u>(230,343)</u>
Annual OPEB cost (expense)		1,276,201
Contributions made		<u>(699,748)</u>
Increase in net OPEB obligation		576,453
Net OPEB obligation - beginning of year		<u>4,767,274</u>
Net OPEB obligation - end of year	\$	<u><u>5,343,727</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, are as follows:

Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2013	\$ 1,283,605	51.08%	\$ 4,249,526
06/30/2014	1,223,236	57.67%	4,767,274
06/30/2015	1,276,201	54.83%	5,343,727

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(d) Funding Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$	16,879,493
Actuarial value of plan assets		16,879,493
Unfunded actuarial accrued liability (UAAL)	\$	16,879,493
Funded ratio (actuarial value of plan assets/AAL)		0%
Annual covered payroll (active plan members)	\$	5,697,043
UAAL as percentage of annual covered payroll		296%

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

(e) Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial methods and the assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4% discount rate to calculate the present value of future benefit payments; a 2.75% inflation rate; an annual healthcare cost trend rate of 7.5% for calendar year 2015, increasing to 8.5% for calendar year 2016, then gradually decreasing to 4.5% for calendar year 2021 and beyond; the CalPERS minimum benefit will increase 4% per year; a 3.00% annual rate of increase in payroll; assumed that 100% of future eligible retirees will elect to maintain their enrollment in a CalPERS medical plan and qualify for the City's minimum contribution; 75% of future retirees will enroll a spouse; and also assumed that 100% of General Services, Maintenance and Operators and Dispatchers will elect the conversion option and 50% of Executive Management, Mid Management and Police will elect the option. The conversion option is not available to IBEW and Fire retirees. The unfunded

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

actuarial accrued liability is amortized as a level percentage of expected payroll over a closed thirty year period. As of June 30, 2015, the remaining amortization period is 24 years.

(11) CLAIMS AND BENEFITS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured as discussed in the following paragraphs for which liabilities are recorded in the Internal Service Fund-Insurance Fund.

The City is self-insured for general liability up to the first \$500,000 per occurrence with claims from \$500,000 to \$40,000,000 per occurrence and in the aggregate insured through the California Joint Powers Risk Management Authority. The City has not had any settlements that exceeded its general liability insurance coverage (See Note 13).

The City is self-insured for workers' compensation up to the first \$250,000 per claim. Any claims of \$250,000 up to California statutory limits are covered under a purchased policy through the membership with the Local Agency Workers' Compensation Excess Joint Powers Authority with coverage up to \$300,000,000 in the current year. The City has not had any settlements that exceeded its workers' compensation insurance coverage (See Note 13).

The City is fully self-insured for dental and unemployment for its employees.

General liability and workers' compensation claims are administered by an outside agency and all other claims are administered by the City. The City has accrued a liability of \$8,305,887 at June 30, 2015, for all self-insured claims in the Internal Service Fund-Insurance Funds that includes an amount for incurred but not reported claims. The liability amount is based on the requirements of GASB Statement No. 62, which requires that a liability for claims 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 the loss can be reasonably estimated. In the opinion of the City, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes in the self-insurance liability for the years ended June 30, 2015 and 2014 are as follows:

	<u>Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending</u>
FY 13-14	\$ 9,117,062	\$ 1,050,613	\$ (1,145,916)	\$ 9,021,759
FY 14-15	9,021,759	634,932	(1,350,804)	8,305,887

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(12) PARTICIPATION IN JOINT VENTURES

Northern California Power Agency

The City, along with thirteen other public agencies, is a member of the Northern California Power Agency (NCPA) that was formed in 1968 as a joint powers agency. Its membership consists of eleven cities with publicly owned electric utility distribution systems, one irrigation district, one public utility district, one port authority and three other associate member entities. NCPA is generally empowered to purchase, generate, transmit, distribute and sell electrical energy. Members participate in the projects of NCPA on an elective basis. A commission comprising of one representative from each member organization governs NCPA. The commission is responsible for the general management of the affairs, property and business of NCPA. Under the direction of the general manager, the staff of NCPA is responsible for providing various administrative, operating and planning services for NCPA and its associated power corporations.

Project Financing and Construction

NCPA's project construction and development programs have been individually financed by project revenue bonds collateralized by NCPA's assignment of all payments, revenues and proceeds associated with its interest in each project. Each Project Participant has agreed to pay its proportionate share of debt service and other costs of the related project, notwithstanding the suspension, interruption, interference, reduction or curtailment of output from the project for any reason. Certain of the revenue bonds are additionally supported by municipal bond insurance credit enhancements.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

General Operating Reserve with NCPA

Members of NCPA established a general operating reserve in 1992 for the purposes of providing a vehicle to fund reasonably foreseeable contingent liabilities. It was set up primarily to provide the following advantages: minimizes the number and dollar amount of reserve that might otherwise be funded separately in connection with NCPA's individually financed operating plants, projects and programs; provides each member with flexibility and unilateral control over the determination of what they will fund, how they will fund it and what expenditures from the reserve will be made on their individual behalf. It provides funding for contingent liabilities that are not budgeted but that may require significant future expenditures. The reserve is segregated by participant and is refundable on demand by the participant.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

As of June 30, 2015, the City's balance in the NCPA General Operating Reserve, which has been credited with annual interest earnings and settlements, is \$6,956,797.

Project Participation

The NCPA members and their percentage share at June 30, 2015, which is the most recent available data, are as follows:

NCPA MEMBERS	Geothermal Project	Hydro Electric Project	Combustion Turbine Project #1	Multiple Capital Facilities	Transmission Project	Lodi Energy Center
Alameda	16.8825%	10.00%	21.820%	19.00%	30.7802%	
Bay Area Rapid Transit						6.6000%
Biggs	0.2270		0.197		0.3446	0.2679
Gridley	0.3360		0.350		0.6248	1.9643
Healdsburg	3.6740	1.66	5.833		6.6947	1.6428
Lodi	10.2800	10.37	13.393	39.50	20.6077	9.5000
Lompoc	3.6810	2.30	5.833	5.00	6.7101	2.0357
Palo Alto		22.92				
Plumas-Sierra Rural Electric Coop	0.7010	1.69	1.817		1.3112	0.7857
Roseville	7.8830	12.00		36.50	13.0846	
Santa Clara	44.3905	37.02	41.667			25.7500
Ukiah	5.6145	2.04	9.090		10.2315	1.7857
OTHER PARTICIPANTS						
Azusa						2.7857
California Department of Water Resources						33.5000
Modesto Irrigation District						10.7143
Power & Water Resources Pooling Agency						2.6679
Turlock Irrigation District	6.3305				9.6106	

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Bulk power purchased by the City through NCPA amounted to \$38,512,404 during the year ended June 30, 2015 and is reflected in utilities expense in the Electric Enterprise Fund.

NCPA Geothermal Project

A purchase power agreement with NCPA obligates the City for a 10.28% share of the operating costs and debt service of two of NCPA's 110-megawatt (MW) steam powered plants, Project Number 2 and Project Number 3. Outstanding long-term debt related to this project was approximately \$38 million at June 30, 2015.

In addition to federal geothermal leasehold, steam wells, gathering system and related facilities, the project consists of two electric generating stations (Plant 1 and Plant 2). Each plant has two 55MW turbine generator units utilizing low temperature geothermal steam; associated electrical, mechanical and control facilities; a heat dissipation system; a steam gathering system; a transmission tapline; and, other related facilities. Geothermal steam for the project is derived from the geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Calaveras Hydroelectric Project

NCPA contracted to finance, manage, construct and operate Hydroelectric Project Number One for the licensed owner, Calaveras County Water District. In exchange, NCPA has the right to the electric output of the project for 50 years from February 1982. NCPA has also the option to purchase power from the project in excess of the District's requirements for the subsequent 50 years, subject to regulatory approval.

Under a power purchase agreement the City is obligated to pay 10.37% of the debt service and operating costs. At June 30, 2015, approximately \$383 million in long-term debt used to finance this project was outstanding.

NCPA Combustion Turbine Project #1

The project consists of five combustion turbine units; each nominally rated at 25 MW. Two such units are located in Roseville, two in Alameda and one in Lodi. The project provides capacity during peak load periods and emergency capacity reserves. Excess capacity and energy from the project are also sold to other entities from time to time. Under the NCPA power agreement, the City is obligated to pay 13.393% of the debt service and operating costs. At June 30, 2015, there was no outstanding long-term debt related to this project.

Capital Facilities Project

The Project consists of one 49.9 MW natural gas-fired steam injected combustion turbine generator unit located in Lodi, California. Wastewater is reclaimed from the City of Lodi's White Slough water pollution control facility, processed to eliminate contaminants, and used in the turbine to produce steam for power enhancement and emissions control.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Under a power purchase agreement, the City is obligated to pay 39.5% of the debt service and operating costs. At June 30, 2015, approximately \$45 million in long-term debt was outstanding.

Transmission Project

The project was undertaken to meet certain obligations of NCPA under the NCPA/PG & E Interconnection Agreement. The project includes an ownership interest in PG & E's 230kv Castle Rock to Lakeville Substation Transmission Line in Sonoma County, additional firm transmission rights in that Transmission Line, and a central scheduling and dispatch facility in service at the NCPA headquarters in Roseville, California. Under a power purchase agreement, the City is obligated to pay 20.6077% of the debt service and operating costs. At June 30, 2015, there was no outstanding long-term debt related to this project.

Lodi Energy Center

The Lodi Energy Center project is a 280 MW base load, combined cycle, natural gas-fired, combustion turbine generating station (one gas turbine and one steam turbine) built in Lodi on city property.

Under a power purchase agreement, the City is obligated to pay 17.03% of the debt service and 9.5% of operating costs. At June 30, 2015, approximately \$370 million in long-term debt was outstanding.

The following are the most recent available audited condensed financial statements of NCPA:

Condensed Statement of Net Position		Liabilities, Deferred Inflows of Resources and Net Position	
Assets and Deferred Outflows of Resources		Position	
June 30, 2015			
(in thousands)			
Current assets	\$ 81,501	Long-term debt, net	\$ 816,936
Restricted assets	204,769	Current liabilities	93,224
Electric plant, net	618,708	Non-current liabilities	199,980
Other assets	249,659	Deferred inflows of resources	81,930
Total assets	1,154,637	Net position	29,991
Deferred outflows of resources	67,424	Total liabilities, deferred inflows of resources and net position	\$ 1,222,061
Total assets and deferred outflows of resources	\$ 1,222,061		

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Condensed Statement of Revenues, Expenses and Changes in Net Position Year ended June 30, 2015 (in thousands)	Combined Statement of Cash Flow Year ended June 30, 2015 (in thousands)																																
<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Sales for resale</td> <td style="text-align: right; width: 20%;">\$ 423,887</td> </tr> <tr> <td>Operating expenses</td> <td style="text-align: right;">(378,672)</td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;">(38,260)</td> </tr> <tr> <td>Future recoverable costs</td> <td style="text-align: right;">(2,292)</td> </tr> <tr> <td>Net revenues before refunds</td> <td style="text-align: right; border-top: 1px solid black;">4,663</td> </tr> <tr> <td>Refunds to participants</td> <td style="text-align: right; border-top: 1px solid black;">(6,905)</td> </tr> <tr> <td>Decrease in net position</td> <td style="text-align: right; border-top: 1px solid black;">(2,242)</td> </tr> <tr> <td>Net position, beginning of year</td> <td style="text-align: right; border-top: 1px solid black;">32,233</td> </tr> <tr> <td>Net position, end of year</td> <td style="text-align: right; border-top: 3px double black;">\$ 29,991</td> </tr> </table>	Sales for resale	\$ 423,887	Operating expenses	(378,672)	Other expenses	(38,260)	Future recoverable costs	(2,292)	Net revenues before refunds	4,663	Refunds to participants	(6,905)	Decrease in net position	(2,242)	Net position, beginning of year	32,233	Net position, end of year	\$ 29,991	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Net cash from operating activities</td> <td style="text-align: right; width: 20%;">\$ 61,496</td> </tr> <tr> <td>Net from investing activities</td> <td style="text-align: right;">(11,747)</td> </tr> <tr> <td>Net cash from capital and related financing activities</td> <td style="text-align: right;">(74,875)</td> </tr> <tr> <td>Net cash from noncapital and related financing activities</td> <td style="text-align: right; border-top: 1px solid black;">(1,846)</td> </tr> <tr> <td>Decrease in cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">(26,972)</td> </tr> <tr> <td>Cash and cash equivalents, beginning of year</td> <td style="text-align: right; border-top: 1px solid black;">130,151</td> </tr> <tr> <td>Cash and cash equivalents end of year</td> <td style="text-align: right; border-top: 3px double black;">\$ 103,179</td> </tr> </table>	Net cash from operating activities	\$ 61,496	Net from investing activities	(11,747)	Net cash from capital and related financing activities	(74,875)	Net cash from noncapital and related financing activities	(1,846)	Decrease in cash and cash equivalents	(26,972)	Cash and cash equivalents, beginning of year	130,151	Cash and cash equivalents end of year	\$ 103,179
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At June 30, 2015, NCPA's total net outstanding long-term debt was \$835,340,000 at an average interest rate of 5%. The current portion of long-term debt at June 30, 2015, was \$35,615,000.

Complete financial information for NCPA may be obtained at the following administration office:

Northern California Power Agency
180 Cirby Way
Roseville, CA 95678

Transmission Agency of Northern California

The Transmission Agency of Northern California (TANC) was organized under the California Government Code pursuant to a joint powers agreement entered into by fifteen Northern California utilities including the City of Lodi. The purpose of TANC is to provide electric transmission or other facilities for the use of its members through its authority to acquire, construct, finance, operate and maintain facilities for electric power transmission. The joint powers agreement provides that the costs of TANC's activities can be financed or recovered through assessment of its members or user charges through transmission contracts with its members. Each TANC member has agreed to pay a pro rata share of the

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

costs to operate TANC and has the right to participate in future project agreements. The joint powers agreement remains in effect until debt obligations and interest thereon have been paid, unless otherwise extended by the members.

Increase in Non-defaulting Project Participant's Original Project Entitlement Percentage

Upon the failure of any Project Participant to make any payment, which failure constitutes a default under the Member Agreement for the projects, and except as sales and transfers are made pursuant thereto, the Member Agreements provide that Project Entitlement for each non-defaulting Project Participant shall be automatically increased for the remaining term of the Member Agreement; pro rata with those of the non-defaulting Project Participant thereunder; provided, however, that the sum of such increase for any non-defaulting Project Participant shall not exceed, without written consent of such non-defaulting Project Participant, an accumulated maximum of 25% of the non-defaulting Project Participant's original Project Entitlement Percentage Share.

California-Oregon Transmission Project

The project is a 340-mile long, 500-kilovolt alternating current transmission project between Southern Oregon and Central California. The project is operated in coordination with the Pacific AC Intertie as a part of the California-Oregon Intertie (COI) within the Western Electricity Coordinating Council (WECC) region. The WECC approved rating of the COI is 4,800 MW.

TANC, Western Area Power Authority (WAPA), and five other parties have agreed to an Interim Participation Agreement (IPA) under which each project participant is granted a percentage entitlement in project transfer capability and is required to pay a percentage of the costs. Pursuant to the IPA and a subsequent agreement with WAPA, and the purchase of entitlement, rights and title, and interest in the City of Vernon's share of the project transmission assets, TANC is entitled to use approximately 1,362 MW, and is obligated to pay an average of approximately 80 percent of the operating costs associated with the project.

Under the TANC joint powers agreement, the City is obligated to pay 1.89% of its debt service and operating costs. At June 30, 2015, approximately \$284 million in long-term debt was outstanding of which \$32 million is considered current.

Effective July 1, 2015, the City terminated its interest in the California-Oregon Transmission Project to other TANC members. As a result, the City will not incur any costs after this date related to this Project.

Complete financial information for TANC may be obtained at the following administration office:

Transmission Agency of Northern California
3100 Zinfandel Drive, Suite 600
Sacramento, CA 95670

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

(13) MEMBERSHIP IN INSURANCE POOLS

California Joint Powers Risk Management Authority

The City is a member, along with 16 other individual cities and 4 joint powers authorities, of California Joint Powers Risk Management Authority (CJPRMA) organized under a Joint Powers Agreement pursuant to the California Government Code for the purpose of sharing the risk of catastrophic general liability, automobile liability and public officials' errors and omissions losses. CJPRMA has a twenty-one member Board of Directors, including a director from the City of Lodi. The Board members elect officers of CJPRMA every two years.

The ultimate cost of the program to the City depends on the catastrophic losses of all members, as well as the City's own loss experience and will be determined through an actuarial analysis of loss history during the ten-year period preceding the three years prior to the end of the current program year. The City periodically pays deposits to the CJPRMA. These deposits are recorded as expenses in the year paid, as they are a reasonable estimate of the actual cost of the program. During the year ended June 30, 2015, premiums of \$93,834 were paid to CJPRMA for the liability program.

The participants at June 30, 2015, are as follows: Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, Northern California Cities Self Insurance Fund, Petaluma, Redding, Redwood Empire Municipal Insurance Fund, Richmond, Roseville, San Leandro, San Rafael, Santa Rosa, Small Cities Organized Risk Effort, Stockton, Sunnyvale, Vacaville, Vallejo, and Yolo County Public Agencies Risk Management Insurance Authority.

Complete financial information for CJPRMA may be obtained at the following administration office:

California Joint Powers Risk Management Authority
3252 Constitution Dr.
Livermore, CA 94551

Local Agency Workers' Compensation Excess Joint Powers Authority

The City, along with thirty-three other public agencies, is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which was formed July 1992, for the purpose of sharing the risk of workers' compensation losses. LAWCX offers \$150,000, \$250,000, \$350,000, \$500,000 and \$1 million self-insured retentions (SIR) or a member can attach directly to the purchased excess insurance. LAWCX covers the layer above the member SIR up to \$5 million. The City of Lodi's self-insured retention is \$250,000. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) to obtain coverage up to statutory limits. The City paid \$353,997 in premiums to LAWCX during the year ended June 30, 2015.

The participants at June 30, 2015, are as follows: City of Alameda, Association of Bay Area Governments Shared Risk Pool (ABAG SHARP), Bay Cities Joint Powers Insurance Authority (BCJPIA), City of Benicia, Central Contra Costa County Transit Agency (CCCTA), California Housing

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Workers' Compensation Authority (CHWCA), Central San Joaquin Valley Risk Management Authority (CSJVRMA), City of Clovis, City of Coronado, City of Encinitas, Fire Agencies Self Insurance System (FASIS), City of Gilroy, City of Livermore, City of Lodi, Town of Los Gatos, City of Merced, Monterey County Local Agencies Insurance Authority (MCLAIA), City of Morgan Hill, City of Newark, City of Placentia, City of Pleasanton, Public Agency Risk Sharing Authority of California (PARSAC), City of Roseville, Public Entity Risk Management Authority (PERMA), City of San Leandro, City of Santa Maria, City of Santee, Small Cities Organized Risk Effort (SCORE), City of South Lake Tahoe, City of Suisun City, City of Vacaville, City of Vallejo, Vector Control Joint Powers Agency (VCJPA) and City of Vista.

Complete financial information for LAWCX may be obtained at the following administration office:

Local Agency Workers' Compensation Excess Joint Powers Authority
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

California Transit Insurance Pool

The City, along with thirty-three other public agencies is a member of the California Transit Insurance Pool (CalTIP), a joint powers insurance authority which was formed for the purpose of sharing the risk of property damage, bodily injury, personal injury and public officials errors and omissions losses for public transit systems.

Liability protection coverage is provided under two programs:

Program I applies to members who choose to utilize CalTIP's claims administrator services.

Program II applies to members with self-insured retentions who choose to provide their own claims administrator services.

CalTIP purchases excess insurance over its \$1,000,000 retention up to \$20 million per occurrence. Each member is provided with \$4 million in excess of the pooled retention for a total of \$5 million in coverage and has the option to choose one or both of two additional layers for the full \$20 million.

CalTIP also provides physical damage coverage to its members. This coverage program is optional for all members and offers damage or loss protection for transit, staff and maintenance vehicles to transit operators. CalTIP self-insures up to \$100,000, under which members have the option of five levels of deductible ranging from \$500 to \$10,000 per vehicle. Claims are administered by the CalTIP's adjuster.

The City paid \$77,447 in premiums to CalTIP during the year ended June 30, 2015. There have been no reductions in insurance coverage from the prior year and there were no insurance settlements in excess of insurance coverage in any of the last three years.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

	<u>Program</u>	<u>Self-Insured Retention</u>	<u>Limit (in millions)</u>	<u>Physical Damage</u>
City of Lodi Transit System	I	Prefunded	20	Yes

Complete financial information for CalTip may be obtained at the following administration office:

California Transit Insurance Pool
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833

(14) DEFICIT IN FUND EQUITY

Internal Service Funds – Fleet Services Fund– A deficit in fund equity in the amount of \$928,620 at June 30, 2015, is attributed to the net pension obligation set up in accordance with the requirements of GASB Statement No. 68. Net pension obligation as of June 30, 2015, was \$926,452.

Internal Service Funds - Benefits Fund– A deficit in fund equity in the amount of \$3,712,939 at June 30, 2015, is attributed to the net OPEB obligation set up in accordance with the requirements of GASB Statement No. 45. Net OPEB obligation as of June 30, 2015, was \$5,343,727. The City will continue to address annual funding to eliminate the deficit during the budget process.

Electric Enterprise Fund – A deficit in fund equity in the amount of \$5,023,048 at June 30, 2015, is attributed to the net pension obligation set up in accordance with the requirements of GASB No. 68. Net pension obligation as of June 30, 2015, was \$9,512,447.

(15) POLLUTION REMEDIATION OBLIGATION

The City relies on groundwater for its drinking water and in the late 1980's, PCE and TCE pollution was discovered in several municipal water supply wells. Investigations conducted by the California Regional Water Quality Control Board (RWQCB) in the early 1990's under the Well Investigation program revealed numerous areas where TCE was discharged, or where PCE from dry cleaning operations was discharged to the sewer system. In 1997, the Department of Toxic Substances Control (DTSC) and the City entered into a cooperative agreement whereby the City assumed a lead role in the cleanup and agreed to pursue legal action against potentially responsible parties (PRPs). The City's estimate of the pollution remediation obligation was \$70 million. The City has settled with all the involved parties.

The City received a draft cleanup and abatement order to investigate the discharges of waste, clean up the waste and abate the effects of the discharges of waste in conformance with the State Water Resources Control Board's (SWRCB) Resolution No. 92-49 Policies and Procedures

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

for Investigation and Cleanup and Abatement of Discharges Under the Water Code Section 13304 and with the RWQCB's Water Quality Control Plan for the Sacramento River and San Joaquin River. The City then engaged the services of Treadwell and Rollo to advise the City on courses of action in the preparation of feasibility studies, remedial design, and remedial action plan to comply with the technical and reporting requirements of the SWRCB. The City's estimated total pollution remediation obligation as of June 30, 2015, is \$18,592,106. This amount is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

(16) COMMITMENTS AND CONTINGENCIES

Litigation and claims – The City has fully resolved all the litigation arising out of its groundwater contamination. Settlement and rate revenues have amassed a \$16 million dollar reserve which is expected to cover all costs through the next 10 years. Costs thereafter can be effectively managed with new rate revenues. As such, the City Attorney does not anticipate a material effect on the City's financial condition.

The City owns a 1,000 acre wastewater treatment facility known as "White Slough" approximately 5 miles west of the contiguous city limit. Neighboring farming and dairy operations are in litigation over elevated nitrate levels in the area. Efforts to join the City in the litigation have been so far unsuccessful but are expected to continue. It is too early at this stage to estimate liability or damages if the City is joined in the action. However, the City Attorney does not currently expect the matter to have a material effect on the City's financial condition.

All other actions against the City are under \$75,000 or have no arguable cost and will therefore not have a material financial effect on the City.

Water Purchase Agreement with Woodbridge Irrigation District – The City obtains its municipal water supply from wells located within the City, extracting water from the underground aquifer, which is replenished in part by flows of the Mokelumne River. To avoid being wholly dependent upon wells and the possible impacts of eventual overdraft of the groundwater supply, the City made a commitment in 2003 to purchase surface water supply from Woodbridge Irrigation District for 40 years beginning in 2003. The agreement provides for the purchase of 6,000 acre feet per year and the City pays the District \$1.2 million annually. Effective January 1, 2010, the amount payable to the District shall be increased by two percent (2%) per year or by the change in the Consumer Price Index whichever is higher but shall not exceed five percent (5%).

Arbitrage Earnings Rebate Liability – Arbitrage earnings are defined as income earned on the unexpended tax-exempt certificate proceeds in excess of that which would have been earned had the moneys been invested in securities with a yield of the effective rate of the certificates. Currently, arbitrage earnings must be rebated to the United States Treasury every five years. There is no cumulative arbitrage liability as of June 30, 2015, for any of the City's outstanding Certificates of Participation and Revenue Bonds.

CITY OF LODI
Notes to Basic Financial Statements (continued)
June 30, 2015

Construction and Other Significant Commitments – Commitments are existing arrangements to enter into future transactions or events, such as construction contracts for ongoing projects and long-term contractual obligations with suppliers for future purchases at specified prices and sometimes specified quantities. Significant commitments as of June 30, 2015 are as follows:

General Fund	\$	26,219
Other governmental funds		<u>3,527,744</u>
Total	\$	<u>3,553,963</u>

(17) SUBSEQUENT EVENTS

In August 2015, the City obtained a loan in the amount of \$1.5 million to finance the Electric Enterprise Fund's LED Street Light Retrofit project. Annual principal and interest payment is approximately \$235,000 with final payment due December 1, 2022. The City has pledged future revenues from Greenhouse Gas Free Allowance proceeds, to repay the loan.

In September 2015, the City obtained a loan in the amount of \$468,000 to finance the purchase of a fire engine. Annual principal and interest payment is \$99,172 with final payment due on December 1, 2020. The annual payments will be paid from Fire department appropriations.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN**

Measurement Period	<u>2013-14 ⁽¹⁾</u>
Total Pension Liability	
Service Cost	\$ 2,478,901
Interest	11,705,179
Benefit Payments, Including Refunds of Employee Contributions	<u>(7,729,680)</u>
Net Change in Total Pension Liability	6,454,400
Total Pension Liability - Beginning	<u>158,694,446</u>
Total Pension Liability - Ending (a)	<u>165,148,846</u>
Plan Fiduciary Net Position	
Contributions - Employer	2,694,850
Contributions - Employee	1,237,916
Net Investment Income ⁽²⁾	19,249,151
Benefit Payments, Including Refunds of Employee Contributions	<u>(7,729,680)</u>
Other Changes in Fiduciary Net Position	
Net Change in Fiduciary Net Position	<u>15,452,237</u>
Plan Fiduciary Net Position - Beginning	<u>111,971,008</u>
Plan Fiduciary Net Position - Ending (b)	<u>127,423,245</u>
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ 37,725,601</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.16%
Covered-Employee Payroll	\$ 16,669,363
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	226.32%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Net of administrative expenses.

Notes to Schedule:

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

Changes of Assumptions: There were no changes in assumptions.

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SAFETY PLAN**

Measurement Period	2013-14 ⁽¹⁾
Total Pension Liability	
Service Cost	\$ 3,048,048
Interest	11,390,793
Benefit Payments, Including Refunds of Employee Contributions	(7,448,361)
Net Change in Total Pension Liability	6,990,480
Total Pension Liability - Beginning	154,077,401
Total Pension Liability - Ending (a)	161,067,881
Plan Fiduciary Net Position	
Contributions - Employer	4,106,044
Contributions - Employee	1,058,376
Net Investment Income ⁽²⁾	16,070,261
Benefit Payments, Including Refunds of Employee Contributions	(7,448,361)
Other Changes in Fiduciary Net Position	13,786,320
Net Change in Fiduciary Net Position	13,786,320
Plan Fiduciary Net Position - Beginning	93,345,381
Plan Fiduciary Net Position - Ending (b)	107,131,701
Plan Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 53,936,180
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.51%
Covered-Employee Payroll	\$ 11,194,123
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	481.83%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Net of administrative expenses.

Notes to Schedule:

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

Changes of Assumptions: There were no changes in assumptions.

**CITY OF LODI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS**

	<u>2013-14</u>	<u>2014-15</u>
Miscellaneous Plan:		
Actuarially Determined Contributions	\$ 2,694,850	\$ 3,252,760
Contributions in Relation to the Actuarially Determined Contributions	<u>(2,694,850)</u>	<u>(3,252,760)</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll	 \$ 16,669,363	 \$ 15,904,486
Contributions as a Percentage of Covered-Employee Payroll	16.17%	20.45%
Safety Plan:		
Actuarially Determined Contributions	\$ 4,106,044	\$ 3,995,128
Contributions in Relation to the Actuarially Determined Contributions	<u>(4,106,044)</u>	<u>(3,995,128)</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll	 \$ 11,194,123	 \$ 11,569,013
Contributions as a Percentage of Covered-Employee Payroll	36.68%	34.53%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Lodi
Required Supplementary Information
Schedule of Funding Progress – OPEB Plan
June 30, 2015
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Normal Accrued Liability (B)	Unfunded Liability [(B) - (A)]	Funded Ratio [(A) / (B)]	Annual Covered Payroll (C)	UAAL As a Percentage of Covered Payroll {[(B) - (A)]/(C)}
1/1/10	\$ 0	\$ 17,710	\$ 17,710	0%	\$ 9,410	188%
1/1/12	0	17,011	17,011	0%	7,305	233%
1/1/14	0	16,879	16,879	0%	5,697	296%

CITY OF LODI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 23,912,910	24,162,910	24,630,745	\$ 467,835
Licenses and permits	80,800	80,800	87,908	7,108
Intergovernmental revenues	11,214,240	11,282,315	12,642,107	1,359,792
Charges for services	1,217,410	1,317,410	1,482,448	165,038
Fines, forfeits and penalties	1,478,400	1,478,400	1,573,071	94,671
Investment and rental income	1,533,100	1,533,100	1,546,845	13,745
Miscellaneous revenue	220,800	220,800	290,951	70,151
Total revenues	<u>39,657,660</u>	<u>40,075,735</u>	<u>42,254,075</u>	<u>2,178,340</u>
EXPENDITURES				
Current:				
General government:				
City Manager	902,700	914,008	883,079	30,929
City Clerk and Council	626,320	615,520	522,168	93,352
City Attorney	490,810	497,325	396,514	100,811
Human Resources	419,590	456,700	437,832	18,868
Information Systems	1,017,670	968,940	884,000	84,940
Financial Services	1,647,090	1,664,670	1,613,592	51,078
Budget and Treasury	283,360	283,500	271,153	12,347
Non Departmental	1,456,090	1,504,890	1,482,569	22,321
Total general government	<u>6,843,630</u>	<u>6,905,553</u>	<u>6,490,907</u>	<u>414,646</u>
Public protection:				
Police	17,130,800	16,638,578	16,477,012	161,566
Fire	9,867,280	10,058,003	9,911,160	146,843
Total public protection	<u>26,998,080</u>	<u>26,696,581</u>	<u>26,388,172</u>	<u>308,409</u>
Public Works	<u>1,936,540</u>	<u>2,065,051</u>	<u>1,882,250</u>	<u>182,801</u>
Library	<u>1,341,950</u>	<u>1,353,593</u>	<u>1,311,367</u>	<u>42,226</u>
Total expenditures	<u>37,120,200</u>	<u>37,020,778</u>	<u>36,072,696</u>	<u>948,082</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,537,460</u>	<u>3,054,957</u>	<u>6,181,379</u>	<u>3,126,422</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,940,357	3,952,000	3,952,000	
Transfers out	<u>(6,314,877)</u>	<u>(7,131,623)</u>	<u>(7,128,586)</u>	3,037
Total other financing sources (uses)	<u>(2,374,520)</u>	<u>(3,179,623)</u>	<u>(3,176,586)</u>	3,037
CHANGES IN FUND BALANCE	162,940	(124,666)	3,004,793	3,129,459
FUND BALANCE , beginning of year	7,641,322	7,641,322	9,473,760	1,832,438
FUND BALANCE, end of year	<u>\$ 7,804,262</u>	<u>7,516,656</u>	<u>12,478,553</u>	<u>\$ 4,961,897</u>

The note to the required supplementary information is an integral part of this schedule.

CITY OF LODI
Note to the Required Supplementary Information
June 30, 2015

Budgetary Data

The City adopts an annual budget for the general and special revenue funds. These budgets are prepared in accordance with generally accepted accounting principles. As part of the City's internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The accompanying financial statements present budget and actual data only of funds for which an annual budget was adopted. The budgets for capital projects are primarily "long-term" budgets that emphasize the major programs and capital project plans extending over a number of years. Due to the long-term nature of these projects, "annual" budget and actual comparisons are not considered meaningful. Formal budgetary integration is not employed for debt service funds since effective budgetary control is alternatively achieved through the bond indenture provisions. Accordingly, no budgetary information is included in the accompanying basic financial statements for capital projects and debt service funds.

The City Council follows the following procedures in establishing the budgetary data reflected in the accompanying basic financial statements:

Original Budget

On or prior to the first regular Council meeting in June of each year, the City Manager submits to the City Council a proposed Financial Plan and Budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Budgeted revenues are adopted by the City Council at the time the budget is approved. Budgeted revenues are modified when the tax base changes, when fees are modified or when new revenue sources are identified.

Public hearings are conducted during meetings of the City Council to obtain citizens' comments. Prior to July 1, the budget is legally enacted through passage of a resolution.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- Budgeted expenditures represent original appropriations adjusted by budget transfers and appropriation amendments. The legal level of budgetary control (that is, the level at which expenditures can not legally exceed the appropriated

amount) is at the department level. The operating budget is prepared and controlled at the department level (e.g., city clerk, city manager, etc.) for the General Fund. Special revenue fund expenditures, including transfers out, are approved by Council at the fund level.

- The City Manager may transfer appropriations from one activity to another within a department without approval from the City Council. All other appropriation adjustments during the year, whether transfers, increases or decreases, require City Council approval.

COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Governmental Funds include:

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes, other than those for major capital projects;

Debt Service Fund account for the accumulation of resources for the repayment of principal and interest on general long-term debt;

Capital Project Funds account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and investments	\$ 4,590,818	10,073,391	\$ 14,664,209
Receivables:			
Accounts, net	660,894	54,420	715,314
Interest	2,510	5,085	7,595
Due from other funds	93,114		93,114
Due from other governmental agencies	348,979		348,979
Inventory	1,291		1,291
Total assets	\$ 5,697,606	10,132,896	\$ 15,830,502
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 253,085	1,785,160	\$ 2,038,245
Due to other funds	93,114		93,114
Advances from other funds		1,550,454	1,550,454
Unearned revenue	146,174		146,174
Total liabilities	492,373	3,335,614	3,827,987
Deferred Inflows of Resources:			
Unavailable revenue	44,707		44,707
Fund Balances:			
Nonspendable:			
Inventory	1,291		1,291
Restricted for:			
Road-related projects	3,207,124		3,207,124
Capital projects		6,797,282	6,797,282
Public safety	249,258		249,258
Community development	1,474,880		1,474,880
Parks, recreation and community services	227,973		227,973
Total fund balances	5,160,526	6,797,282	11,957,808
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,697,606	10,132,896	\$ 15,830,502

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2015

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:				
Licenses and permits	\$ 879,225			\$ 879,225
Intergovernmental revenues	4,914,450			4,914,450
Charges for services	2,282,934		62,068	2,345,002
Investment and rental income	446,806		35,165	481,971
Miscellaneous revenue	301,617		227,669	529,286
Total revenues	<u>8,825,032</u>		<u>324,902</u>	<u>9,149,934</u>
Expenditures:				
Current:				
General government	2,660,048			2,660,048
Public protection	257,888			257,888
Public works	2,625,771			2,625,771
Community development	1,226,307			1,226,307
Parks and recreation	2,145,084			2,145,084
Capital outlay	3,540,613		6,301,012	9,841,625
Debt service:				
Interest and fiscal charges		844,812		844,812
Total expenditures	<u>12,455,711</u>	<u>844,812</u>	<u>6,301,012</u>	<u>19,601,535</u>
Deficiency of revenues under expenditures	<u>(3,630,679)</u>	<u>(844,812)</u>	<u>(5,976,110)</u>	<u>(10,451,601)</u>
Other financing sources (uses):				
Transfers in	4,301,203	844,812	6,501,361	11,647,376
Transfers out	(781,876)		(125,300)	(907,176)
Total other financing sources (uses)	<u>3,519,327</u>	<u>844,812</u>	<u>6,376,061</u>	<u>10,740,200</u>
Changes in fund balances	(111,352)		399,951	288,599
Fund balances, beginning of year	<u>5,271,878</u>		<u>6,397,331</u>	<u>11,669,209</u>
Fund balances, end of year	<u>\$ 5,160,526</u>		<u>\$ 6,797,282</u>	<u>\$ 11,957,808</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

Parks, Recreation and Community Services

This fund was established to account for the revenues and expenditures related to the activities of the Hutchins Street Square and Performing Arts Theater and the wide-range of parks and recreation activities and programs offered to the public

Public Safety

This fund was established to account for the revenues and expenditures related to the City's share of property forfeited by persons convicted of possession and selling illegal drugs and the State of California auto theft prosecution monies along with State and Federal grants related to public safety operations.

Community Development

This fund was established to account for development planning and project review services including land use entitlements, permit processing and review/inspection of public improvements to ensure orderly physical growth and development of the City.

Streets Fund

This fund was established to account for the following:

Gas Tax

To account for revenues and expenditures apportioned to the City under the Streets and Highway Code. Portions of the tax rate levied by the State of California on all gasoline purchases are allocated to cities throughout the State on a population basis. These funds are restricted for expenditure by the State of California for street related purposes only.

Development Impact Mitigation Fees

To account for impact fees charged to provide for the building of various storm drains and street improvements needed to serve new development. The fees are calculated on a per acre basis and are collected at subdivision final map approval or with building permit stage effective November 4, 1991.

Measure K Sales Tax

To account for revenues and expenditures apportioned to the City for sales tax collections under Measure K. Expenditures for administration, maintenance and construction must be for street-related projects.

Intermodal Surface Transportation Efficiency Act (ISTEA)

To account for revenues from the federal highway administration for programs including surface transportation program (STP) for streets and roads, congestion mitigation and air quality program (CMAQ) and hazard elimination safety (HES) for street lighting projects.

Transportation

This fund was established to account for the receipt of moneys from the State of California apportioned to the City for transportation purposes. The State has designated 1/4% of the 6% sales tax levied statewide for local transportation purposes. Funding for this program was provided during the 1971 legislative session with the enactment of the Transportation Development Act, which extended the 6% sales tax to include purchases of gasoline. Revenues allocated to the City of Lodi under this program are divided into two categories: Article 8 funds, which are restricted for the improvement and maintenance of street systems; and Article 4 funds, which are restricted for public transit systems.

HOME Program and Community Development Block Grants

This fund was established to account for the City's HOME Program that provides adequate and affordable housing for low and very low-income residents, and Community Development Block Grants provided to the City principally for low and moderate income residents to develop a suitable living environment and expand economic opportunities.

CITY OF LODI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2015

	Parks, Recreation and Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program and Community Development Block Grants	Total
ASSETS							
Cash and Investments	\$ 230,683	280,994	1,501,484	2,577,657			\$ 4,590,818
Receivables:							
Accounts, net	47,023	1,927	3,247	564,586	44,111		660,894
Interest	144	230	950	1,166		20	2,510
Due from other funds				93,114			93,114
Due from other governmental agencies		81,538		47,067		220,374	348,979
Inventory	1,291						1,291
TOTAL ASSETS	\$ 279,141	364,689	1,505,681	3,283,590	44,111	220,394	\$ 5,697,606
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts payable and other liabilities	\$ 49,877	259	30,801	91,278	19	80,851	\$ 253,085
Due to other funds					29,519	63,595	93,114
Unearned revenue		115,172				31,002	146,174
TOTAL LIABILITIES	49,877	115,431	30,801	91,278	29,538	175,448	492,373
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue						44,707	44,707
FUND BALANCES							
Nonspendable							
Inventory	1,291						1,291
Restricted for:							
Road-related projects				3,192,312	14,573	239	3,207,124
Public safety		249,258					249,258
Community development			1,474,880				1,474,880
Parks, recreation and community services	227,973						227,973
TOTAL FUND BALANCES	229,264	249,258	1,474,880	3,192,312	14,573	239	5,160,526
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 279,141	364,689	1,505,681	3,283,590	44,111	220,394	\$ 5,697,606

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	Parks, Recreation and Community Services	Public Safety	Community Development	Streets	Transportation	HOME Program and Community Development Block Grants	Total
REVENUES							
Licenses and permits	\$		879,225				\$ 879,225
Intergovernmental revenues		263,620		4,121,950	43,991	484,889	4,914,450
Charges for services	1,662,690		498,490	121,754			2,282,934
Investment and rental income	431,250	1,590	6,825	7,141			446,806
Miscellaneous revenue	10,498	2,589	84,954	203,576			301,617
Total revenues	<u>2,104,438</u>	<u>267,799</u>	<u>1,469,494</u>	<u>4,454,421</u>	<u>43,991</u>	<u>484,889</u>	<u>8,825,032</u>
EXPENDITURES							
Current							
General government	2,660,048						2,660,048
Public protection		257,888					257,888
Public works				2,141,013		484,758	2,625,771
Community development			1,226,307				1,226,307
Parks and recreation	2,145,084						2,145,084
Capital outlay				3,511,195	29,418		3,540,613
Total expenditures	<u>4,805,132</u>	<u>257,888</u>	<u>1,226,307</u>	<u>5,652,208</u>	<u>29,418</u>	<u>484,758</u>	<u>12,455,711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,700,694)</u>	<u>9,911</u>	<u>243,187</u>	<u>(1,197,787)</u>	<u>14,573</u>	<u>131</u>	<u>(3,630,679)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	3,583,243		126,160	591,800			4,301,203
Transfers out	(558,500)	(31,866)	(2,510)	(189,000)			(781,876)
Total other financing sources (uses)	<u>3,024,743</u>	<u>(31,866)</u>	<u>123,650</u>	<u>402,800</u>			<u>3,519,327</u>
CHANGES IN FUND BALANCES	324,049	(21,955)	366,837	(794,987)	14,573	131	(111,352)
FUND BALANCES (DEFICIT), beginning of year	<u>(94,785)</u>	<u>271,213</u>	<u>1,108,043</u>	<u>3,987,299</u>		<u>108</u>	<u>5,271,878</u>
FUND BALANCES, end of year	<u>\$ 229,264</u>	<u>249,258</u>	<u>1,474,880</u>	<u>3,192,312</u>	<u>14,573</u>	<u>239</u>	<u>\$ 5,160,526</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	PARKS, RECREATION AND COMMUNITY SERVICES		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Charges for services	\$ 1,860,360	1,662,690	\$ (197,670)
Investment and rental income	430,000	431,250	1,250
Miscellaneous revenue	<u>47,500</u>	<u>10,498</u>	<u>(37,002)</u>
Total Revenue	<u>2,337,860</u>	<u>2,104,438</u>	<u>(233,422)</u>
EXPENDITURES			
Current			
General government	3,046,630	2,660,048	386,582
Parks and recreation	<u>2,213,710</u>	<u>2,145,084</u>	<u>68,626</u>
Total Expenditures	<u>5,260,340</u>	<u>4,805,132</u>	<u>455,208</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,922,480)</u>	<u>(2,700,694)</u>	<u>221,786</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,583,243	3,583,243	
Transfers out	<u>(558,500)</u>	<u>(558,500)</u>	
Total other financing sources (uses)	<u>3,024,743</u>	<u>3,024,743</u>	
CHANGES IN FUND BALANCE	102,263	324,049	221,786
FUND DEFICIT, BEGINNING OF YEAR	<u>(94,785)</u>	<u>(94,785)</u>	
FUND BALANCE, END OF YEAR	<u>\$ 7,478</u>	<u>229,264</u>	<u>\$ 221,786</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	PUBLIC SAFETY		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 695,966	263,620	\$ (432,346)
Investment and rental income	770	1,590	820
Miscellaneous revenue		2,589	2,589
Total Revenue	696,736	267,799	(428,937)
EXPENDITURES			
Current			
Public protection	691,434	257,888	433,546
EXCESS OF REVENUES OVER EXPENDITURES	5,302	9,911	4,609
OTHER FINANCING USES			
Transfers out	(31,866)	(31,866)	
CHANGES IN FUND BALANCE	(26,564)	(21,955)	4,609
FUND BALANCE, BEGINNING OF YEAR	271,213	271,213	
FUND BALANCE, END OF YEAR	\$ 244,649	249,258	\$ 4,609

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	<u>COMMUNITY DEVELOPMENT</u>		
	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Licenses and permits	\$ 628,040	879,225	\$ 251,185
Charges for services	359,000	498,490	139,490
Investment and rental income	3,400	6,825	3,425
Miscellaneous revenue	<u>120,460</u>	<u>84,954</u>	<u>(35,506)</u>
Total Revenue	1,110,900	1,469,494	358,594
EXPENDITURES			
Current			
Community development	<u>1,262,090</u>	<u>1,226,307</u>	<u>35,783</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(151,190)</u>	<u>243,187</u>	<u>394,377</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	126,160	126,160	
Transfers out	<u>(2,510)</u>	<u>(2,510)</u>	
Total other financing sources (uses)	<u>123,650</u>	<u>123,650</u>	
CHANGES IN FUND BALANCE	(27,540)	366,837	394,377
FUND BALANCE, BEGINNING OF YEAR	<u>1,108,043</u>	<u>1,108,043</u>	
FUND BALANCE, END OF YEAR	\$ <u>1,080,503</u>	\$ <u>1,474,880</u>	\$ <u>394,377</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	STREETS		
	FINAL BUDGET	Actual	Variance with Final Budget
REVENUES			
Intergovernmental revenues	\$ 4,509,993	4,121,950	\$ (388,043)
Charges for services	289,490	121,754	(167,736)
Investment and rental income	14,140	7,141	(6,999)
Miscellaneous revenue	30,000	203,576	173,576
Total Revenue	<u>4,843,623</u>	<u>4,454,421</u>	<u>(389,202)</u>
EXPENDITURES			
Current			
Public works	2,128,207	2,141,013	(12,806)
Capital outlay	4,113,825	3,511,195	602,630
Total Expenditures	<u>6,242,032</u>	<u>5,652,208</u>	<u>589,824</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,398,409)</u>	<u>(1,197,787)</u>	<u>200,622</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	591,800	591,800	
Transfers out	(189,000)	(189,000)	
Total other financing sources (uses)	<u>402,800</u>	<u>402,800</u>	
CHANGES IN FUND BALANCE	(995,609)	(794,987)	200,622
FUND BALANCE, BEGINNING OF YEAR	<u>3,987,299</u>	<u>3,987,299</u>	
FUND BALANCE, END OF YEAR	<u>\$ 2,991,690</u>	<u>\$ 3,192,312</u>	<u>\$ 200,622</u>

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	TRANSPORTATION		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 43,991	43,991	\$
EXPENDITURES			
Capital outlay	43,991	29,418	14,573
CHANGES IN FUND BALANCE		14,573	14,573
FUND BALANCE, BEGINNING OF YEAR	\$	14,573	\$
FUND BALANCE, END OF YEAR	\$	14,573	\$ 14,573

CITY OF LODI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
Year ended June 30, 2015

	HOME PROGRAM and COMMUNITY DEVELOPMENT BLOCK GRANTS		
	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Intergovernmental revenues	\$ 916,415	484,889	\$ (431,526)
EXPENDITURES			
Current			
Public works	916,415	484,758	431,657
CHANGES IN FUND BALANCE		131	131
FUND BALANCE, BEGINNING OF YEAR		108	
FUND BALANCE, END OF YEAR	\$	239	\$ 131

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

CAPITAL PROJECT FUNDS

Vehicle and Equipment

This fund was established to account for the financing and replacement of vehicles and equipment for all funds of the City with the exception of the Enterprise Funds. Financing is primarily provided through transfers from other funds, interest earnings and sales of surplus property.

Library

This fund is used to account for the acquisition, construction and installation of capital facilities for the Library.

Hutchins Street Square

When the old Lodi High School burned down, the City purchased the property and renamed it Hutchins Street Square. The Old Lodi High Site Foundation was established which organizes events to raise money for the capital restoration of Hutchins Street Square.

Capital Outlay Reserve

This fund was established to account for the entire City's construction projects and capital purchases in excess of \$10,000 with the exception of those funded through Enterprise Funds. Financing is provided primarily through transfers from other funds and from State and Federal grants.

Parks Capital

This fund was established to account for the acquisition, construction and installation of capital facilities for the various city parks.

**CITY OF LODI
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
 June 30, 2015**

	Vehicle and Equipment	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total
ASSETS					
Cash and investments	\$ 2,033,605	3,276	6,803,352	1,233,158	\$ 10,073,391
Receivables:					
Accounts, net	1,803		52,617		54,420
Interest			4,305	780	5,085
TOTAL ASSETS	\$ 2,035,408	3,276	6,860,274	1,233,938	\$ 10,132,896
LIABILITIES					
Accounts payable and other liabilities	\$ 101,918		1,669,842	13,400	\$ 1,785,160
Advances from other funds			1,229,025	321,429	1,550,454
TOTAL LIABILITIES	101,918		2,898,867	334,829	3,335,614
FUND BALANCES					
Restricted for:					
Capital projects	1,933,490	3,276	3,961,407	899,109	6,797,282
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,035,408	3,276	6,860,274	1,233,938	\$ 10,132,896

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
Year ended June 30, 2015

	Vehicle and Equipment	Library	Hutchins Street Square	Capital Outlay Reserve	Parks Capital	Total
REVENUES						
Charges for services	\$			58,068	4,000	\$ 62,068
Investment and rental income			5	29,936	5,224	35,165
Miscellaneous revenue	30,383		1,090		196,196	227,669
Total revenues	<u>30,383</u>		<u>1,095</u>	<u>88,004</u>	<u>205,420</u>	<u>324,902</u>
EXPENDITURES						
Capital outlay	<u>699,410</u>	<u>28,890</u>		<u>5,489,371</u>	<u>83,341</u>	<u>6,301,012</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(669,027)</u>	<u>(28,890)</u>	<u>1,095</u>	<u>(5,401,367)</u>	<u>122,079</u>	<u>(5,976,110)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	913,747			5,425,514	162,100	6,501,361
Transfers out	(125,300)					(125,300)
Total other financing sources (uses)	<u>788,447</u>			<u>5,425,514</u>	<u>162,100</u>	<u>6,376,061</u>
CHANGES IN FUND BALANCES	119,420	(28,890)	1,095	24,147	284,179	399,951
FUND BALANCES , BEGINNING OF YEAR	<u>1,814,070</u>	<u>28,890</u>	<u>2,181</u>	<u>3,937,260</u>	<u>614,930</u>	<u>6,397,331</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,933,490</u>		<u>3,276</u>	<u>3,961,407</u>	<u>899,109</u>	<u>\$ 6,797,282</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the internal transfer of services between operating units of the City and to achieve a level of operating efficiency that may not be available if the same activities were performed by multiple organizations.

Fleet Services

This fund is used to account for the operation, maintenance and timely replacement of the City's fleet of vehicles which serve the transportation needs of all city departments.

Benefits

This fund is used to account for the following employee benefits:

Dental	Employee assistance program
Chiropractic	Employee recognition program
Life/accidental insurance	Unemployment insurance
Medical	Flexible spending program
Vision	Long Term Disability

Insurance

This fund is used to account for the following insurances:

- General Liability
- Workers' Compensation
- Other Insurance

CITY OF LODI
COMBINING STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2015

	Fleet Services	Benefits	Insurance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 76,483	1,681,977	12,382,662	\$ 14,141,122
Receivables:				
Interest	49	1,064	7,809	8,922
Inventory	169,932			169,932
Noncurrent assets:				
Capital assets (net)	27,498			27,498
Total assets	273,962	1,683,041	12,390,471	14,347,474
 DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions				
	74,359			74,359
 LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	54,105	52,253	31,150	137,508
Self-insurance liability			634,932	634,932
Accrued compensated absences	31,195			31,195
Noncurrent liabilities:				
Net pension liability	926,452			926,452
Self-insurance liability			7,670,955	7,670,955
Accrued compensated absences	48,639			48,639
Net OPEB obligation		5,343,727		5,343,727
Total liabilities	1,060,391	5,395,980	8,337,037	14,793,408
 DEFERRED INFLOWS OF RESOURCES				
Related to pensions				
	216,550			216,550
 NET POSITION				
Net investment in capital assets	27,498			27,498
Unrestricted (deficit)	(956,118)	(3,712,939)	4,053,434	(615,623)
Total net position	\$ (928,620)	(3,712,939)	4,053,434	\$ (588,125)

CITY OF LODI
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year ended June 30, 2015

	Fleet Services	Benefits	Insurance	Total
OPERATING REVENUES				
Charges for services	\$ 1,636,786	7,763,238	2,610,905	\$ 12,010,929
OPERATING EXPENSES				
Personnel services	672,956	229,630	137,099	1,039,685
Supplies, materials and services	855,697	6,013,643	1,036,880	7,906,220
Utilities	17,194		649	17,843
Depreciation	1,444			1,444
Claims	17,280	1,700,602	634,932	2,352,814
	1,564,571	7,943,875	1,809,560	11,318,006
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	72,215	(180,637)	801,345	692,923
NONOPERATING REVENUES				
Investment income	196	6,568	51,986	58,750
Other revenues	2,294	29,397	50,948	82,639
TOTAL NONOPERATING REVENUES	2,490	35,965	102,934	141,389
LOSS (INCOME) BEFORE TRANSFERS	74,705	(144,672)	904,279	834,312
Transfers out			(50,000)	(50,000)
Changes in net position	74,705	(144,672)	854,279	784,312
NET ASSETS - BEGINNING OF YEAR, as previously reported	77,913	(3,568,267)	3,199,155	(291,199)
Change in accounting principles	(1,081,238)			(1,081,238)
NET POSITION - BEGINNING OF YEAR, as restated	(1,003,325)	(3,568,267)	3,199,155	(1,372,437)
NET POSITION - END OF YEAR	\$ (928,620)	(3,712,939)	4,053,434	\$ (588,125)

CITY OF LODI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2015

	Fleet Services	Benefits	Insurance	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,394	29,397	50,948	\$ 82,739
Receipts from interfund services provided	1,636,786	7,763,238	2,610,905	12,010,929
Cash paid to suppliers for goods and services	(934,295)	(7,136,209)	(2,392,634)	(10,463,138)
Payments to employees	(700,921)	(229,630)	(137,099)	(1,067,650)
Net cash provided by operating activities	3,964	426,796	132,120	562,880
Cash flows from noncapital financing activities:				
Transfers out			(50,000)	(50,000)
Cash flows from investing activities:				
Interest on investments	147	5,828	47,344	53,319
Net increase in cash and cash equivalents	4,111	432,624	129,464	566,199
Cash and cash equivalents, beginning of year	72,372	1,249,353	12,253,198	13,574,923
Cash and cash equivalents, end of year	\$ 76,483	1,681,977	12,382,662	\$ 14,141,122
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating Income (loss)	\$ 72,215	(180,637)	801,345	\$ 692,923
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,444			1,444
Other revenues	2,294	29,397	50,948	82,639
Change in assets and liabilities:				
Increase in inventory	(31,146)			(31,146)
Decrease in other assets	100			100
Increase (decrease) in accounts payable and accrued liabilities	(12,978)	1,583	(4,301)	(15,696)
Decrease in compensated absences	(15,370)			(15,370)
Decrease in self-insurance liability			(715,872)	(715,872)
Increase in net OPEB obligation		576,453		576,453
Decrease in net pension liability and related amounts	(12,595)			(12,595)
Net cash provided by operating activities	\$ 3,964	426,796	132,120	\$ 562,880

FIDUCIARY FUNDS

Private-purpose Trust Funds

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations or other governments.

Agency Fund

This fund was established to account for special assessments collected on the property tax roll by the City on behalf of the property owners within the Industrial Way Beckman Districts and the Downtown and Cherokee Lane Districts.

CITY OF LODI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2015

	Library	Hutchins Street Square Bequest	Total
ASSETS			
Cash and Investments	\$ 237,383	1,522	\$ 238,905
NET POSITION-EXPENDABLE	\$ 237,383	1,522	\$ 238,905

CITY OF LODI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
Year ended June 30, 2015

	Library	Hutchins Street Square Bequest	Total
ADDITIONS			
Investment income and donations	\$	6	\$ 6
DEDUCTIONS			
Current Library	33,812		33,812
CHANGES IN NET POSITION	(33,812)	6	(33,806)
NET POSITION, BEGINNING OF YEAR	271,195	1,516	272,711
NET POSITION, END OF YEAR	\$ 237,383	1,522	\$ 238,905

CITY OF LODI
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year ended June 30, 2015

	Special Assessments			
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and investments	\$ 425,592	35,437	32,056	\$ 428,973
Interest receivable	113	277	113	277
TOTAL ASSETS	\$ 425,705	35,714	32,169	\$ 429,250
 LIABILITIES				
Agency obligations	\$ 425,705	3,545		\$ 429,250

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STATISTICAL SECTION

UNAUDITED

STATISTICAL SECTION

The Statistical Section provides detailed information as a framework for understanding the information in the financial statements, notes and required supplementary information. This section presents additional data and analysis that may provide the reader with valuable insight regarding the demographics and the overall health of the City.

Contents

Pages

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

115-120

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source, the property tax.

121-126

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

127-133

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

134-136

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.

137-141

Sources

Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial report for the current year.

CITY OF LODI

NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Net investment in capital assets	\$ 105,944	\$ 105,462	\$ 106,828	\$ 107,587	\$ 114,165	\$ 113,308	\$ 115,036	\$ 107,874	\$ 110,815	\$ 111,572
Restricted	12,001	11,809	12,601	16,176	14,894	13,233	13,492	15,043	15,044	14,526
Unrestricted	(74,146)	2,551	1,157	(3,606)	(5,148)	(6,110)	(3,462)	(4,162)	(3,968)	(8,838)
Total governmental activities net position	\$ 43,799	\$ 119,822	\$ 120,586	\$ 120,157	\$ 123,911	\$ 120,431	\$ 125,066	\$ 118,755	\$ 121,891	\$ 117,260
Business-type activities:										
Net investment in capital assets	\$ 119,924	\$ 116,156	\$ 113,008	\$ 109,582	\$ 104,858	\$ 100,233	\$ 95,533	\$ 98,109	\$ 97,961	\$ 77,494
Restricted	6,810	6,703	6,600	6,533	5,303			8,657	8,711	10,969
Unrestricted	892	16,535	14,827	(34,563)	(34,129)	(28,591)	(35,448)	26,460	6,417	1,880
Total business-type activities net position	\$ 127,626	\$ 139,394	\$ 134,435	\$ 81,552	\$ 76,032	\$ 71,642	\$ 60,085	\$ 133,226	\$ 113,089	\$ 90,343
Primary government:										
Net investment in capital assets	\$ 225,868	\$ 221,618	\$ 219,836	\$ 217,169	\$ 219,023	\$ 213,541	\$ 210,569	\$ 205,983	\$ 208,776	\$ 189,066
Restricted	18,811	18,512	19,201	22,709	20,197	13,233	13,492	23,700	23,755	25,495
Unrestricted	(73,254)	19,086	15,984	(38,169)	(39,277)	(34,701)	(38,910)	22,298	2,449	(6,958)
Total primary government net position	\$ 171,425	\$ 259,216	\$ 255,021	\$ 201,709	\$ 199,943	\$ 192,073	\$ 185,151	\$ 251,981	\$ 234,980	\$ 207,603

Source: City of Lodi Financial Services Division

CITY OF LODI

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities:										
General government	\$ 9,109	\$ 9,580	\$ 8,943	\$ 9,381	\$ 8,262	\$ 8,749	\$ 9,451	\$ 8,307	\$ 7,853	\$ 9,746
Public protection	27,426	27,884	25,930	25,432	25,113	27,186	27,110	25,531	23,328	22,105
Public works	10,281	10,644	10,546	10,248	9,305	10,462	10,464	12,224	10,599	13,229
Community development	1,165	1,174	1,050	1,003	973	1,114	1,323	2,027	2,130	2,290
Library	1,324	1,282	1,342	1,381	1,355	1,440	1,495	1,696	1,630	1,485
Parks and recreation	3,116	3,164	2,933	2,913	5,778	5,077	4,609	4,414	4,172	4,114
Interest and fiscal charges	818	825	416	1,033	1,075	1,105	1,134	1,166	1,201	1,234
Total governmental activities expenses	53,239	54,553	51,160	51,391	51,861	55,133	55,586	55,365	50,913	54,203
Business-type activities:										
Electric	64,367	61,974	61,106	62,599	63,399	64,364	73,358	65,201	67,534	63,780
Wastewater	12,912	12,527	13,423	17,441	11,687	11,289	10,940	12,227	9,271	8,574
Water	9,905	11,014	(34,877)	7,953	8,188	6,148	9,604	9,920	9,875	8,256
Transit	4,134	3,834	4,141	4,256	4,132	4,785	4,832	3,908	3,577	3,643
Total business-type activities expenses	91,318	89,349	43,793	92,249	87,406	86,586	98,734	91,256	90,257	84,253
Total primary government expenses	\$ 144,557	\$ 143,902	\$ 94,953	\$ 143,640	\$ 139,267	\$ 141,719	\$ 154,320	\$ 146,621	\$ 141,170	\$ 138,456
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,971	\$ 1,955	\$ 2,337	\$ 1,718	\$ 1,793	\$ 2,184	\$ 1,631	\$ 1,544	\$ 1,280	\$ 1,232
Public protection	609	582	538	500	643	714	844	837	582	563
Public works	832	415	224	166	356	326	358	755	295	320
Community development	1,378	1,219	1,458	993	1,601	786	749	1,085	1,174	1,630
Library	43	43	44	43	47	48	44	53	53	54
Parks and recreation	1,360	1,479	1,404	1,241	1,245	1,269	1,158	851	1,007	918
Operating grants and contributions	3,369	2,686	2,341	2,300	2,236	1,927	1,951	2,305	2,589	2,587
Capital grants and contributions	3,131	5,359	4,216	5,025	6,737	5,122	10,822	4,717	6,975	14,631
Total governmental activities program revenues	12,693	13,738	12,562	11,986	14,658	12,376	17,557	12,147	13,955	21,935
Business-type activities:										
Charges for services:										
Electric	65,237	64,693	63,230	64,251	62,167	69,664	74,000	69,284	65,809	59,112
Wastewater	14,714	14,305	13,747	13,280	13,090	11,513	9,276	9,091	8,524	8,927
Water	12,723	12,756	12,441	12,083	11,940	11,716	11,787	11,350	10,040	8,343
Transit	230	203	185	186	195	217	251	278	401	386
Operating grants and contributions	5,186	4,431	5,178	4,214	3,983	3,449	3,653	3,381	2,621	3,377
Capital grants and contributions	5,284	2,846	4,715	3,206	5,150	1,408	5,774	8,064	19,984	11,146
Total business-type activities program revenues	103,374	99,234	99,496	97,220	96,525	97,967	104,741	101,448	107,379	91,291
Total primary government program revenues	\$ 116,067	\$ 112,972	\$ 112,058	\$ 109,206	\$ 111,183	\$ 110,343	\$ 122,298	\$ 113,595	\$ 121,334	\$ 113,226
Net (Expense)/Revenue										
Governmental activities	\$ (40,546)	\$ (40,815)	\$ (38,598)	\$ (39,405)	\$ (37,203)	\$ (42,757)	\$ (38,029)	\$ (43,218)	\$ (36,958)	\$ (32,268)
Business-type activities	12,056	9,885	55,703	4,971	9,119	11,381	6,007	10,192	17,122	7,038
Total primary government net expense	\$ (28,490)	\$ (30,930)	\$ 17,105	\$ (34,434)	\$ (28,084)	\$ (31,376)	\$ (32,022)	\$ (33,026)	\$ (19,836)	\$ (25,230)

(Continued)

CITY OF LODI

CHANGES IN NET POSITION (Continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes:										
Property	\$ 13,502	\$ 12,758	\$ 12,218	\$ 12,103	\$ 12,698	\$ 12,836	\$ 13,564	\$ 13,838	\$ 9,524	\$ 8,031
Franchise taxes	8,976	8,838	8,735	8,712	8,692	8,658	8,357	9,338	9,609	8,721
Business license tax	1,486	1,528	1,524	1,628	1,246	1,242	1,190	1,140	1,082	973
Transient occupancy tax	666	594	546	486	426	382	405	396	380	368
Grants and contributions not restricted to specific programs	10,651	10,138	9,382	9,277	8,954	7,064	8,249	9,593	14,772	14,215
Investment earnings	145	203	44	132	133	155	467	1,008	874	328
Rent	1,942	1,906	1,370							
Other	605	528	610	2,052	1,556	1,917	2,382	1,077	621	1,012
Special item-gain on sale of parkland					321					
Transfers	7,514	4,792	5,682	1,261	6,657	5,868	5,368	3,693	4,727	4,923
Total governmental activities	45,487	41,285	40,111	35,651	40,683	38,122	39,982	40,083	41,589	38,571
Business-type activities:										
Investment earnings	632	757	497	566	575	731	1,385	2,028	2,380	2,008
Litigation- environmental lawsuits proceeds			1,107			300	2,010	8,892	6,222	6,700
Rent	4	4								
Other	2,745	2,370	1,258	1,244	1,353	923	1,891	2,717	1,749	2,056
Special item-swap termination							(8,979)			
Transfers	(7,514)	(4,792)	(5,682)	(1,261)	(6,657)	(5,868)	(5,368)	(3,693)	(4,727)	(4,923)
Total business-type activities	(4,133)	(1,661)	(2,820)	549	(4,729)	(3,914)	(9,061)	9,944	5,624	5,841
Total primary government	\$ 41,354	\$ 39,624	\$ 37,291	\$ 36,200	\$ 35,954	\$ 34,208	\$ 30,921	\$ 50,027	\$ 47,213	\$ 44,412
Change in Net Position										
Governmental activities	\$ 4,941	\$ 470	\$ 1,513	\$ (3,754)	\$ 3,480	\$ (4,635)	\$ 1,953	\$ (3,135)	\$ 4,631	\$ 6,303
Business-type activities	7,923	8,224	52,883	5,520	4,390	7,467	(3,054)	20,136	22,746	12,879
Total primary government	\$ 12,864	\$ 8,694	\$ 54,396	\$ 1,768	\$ 7,870	\$ 2,832	\$ (1,101)	\$ 17,001	\$ 27,377	\$ 19,182

Source: City of Lodi Financial Services Division

CITY OF LODI

**FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$	\$	\$	\$	\$	\$ 389	\$ 383	\$ 1,150	\$ 1,144	\$ 1,321
Unreserved						3,896	3,383	4,159	5,175	3,048
Nondspendable		10	9	6	357					
Committed	345	301	277							
Assigned	26	29	65	50	136					
Unassigned	12,107	9,134	7,614	6,233	5,654					
Total General Fund	\$ 12,478	\$ 9,474	\$ 7,965	\$ 6,289	\$ 6,147	\$ 4,285	\$ 3,766	\$ 5,309	\$ 6,319	\$ 4,369
All other governmental funds										
Reserved	\$	\$	\$	\$	\$	\$ 7,801	\$ 1,487	\$ 1,932	\$ 1,874	\$ 1,138
Unreserved, reported in:										
Special revenue funds						963	6,540	7,433	6,651	6,271
Capital projects funds						3,649	5,217	5,504	6,200	5,663
Nondspendable	1	4	3	1						
Restricted	11,957	11,764	12,556	15,017	13,786					
Unassigned		(99)	(512)	(863)	(846)					
Total all other governmental funds	\$ 11,958	\$ 11,669	\$ 12,047	\$ 14,155	\$ 12,940	\$ 12,413	\$ 13,244	\$ 14,869	\$ 14,725	\$ 13,072
	\$ 24,436	\$ 21,143	\$ 20,012	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441

Implemented GASB 54 during the 2011 fiscal year changing the presentation of fund balance.

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Taxes	\$ 24,631	\$ 23,719	\$ 23,022	\$ 22,928	\$ 23,061	\$ 23,118	\$ 23,516	\$ 24,712	\$ 20,594	\$ 18,094
Licenses and permits	967	852	921	686	954	520	431	683	717	1,020
Intergovernmental revenues	17,557	17,392	14,625	15,289	16,865	12,579	13,229	14,980	19,892	25,491
Charges for services	3,827	3,558	3,880	3,427	3,946	4,116	3,329	4,757	4,696	3,848
Fines and forfeitures	1,573	1,557	1,632	1,357	1,407	1,444	1,416	1,321	1,245	1,173
Investment and rental income	2,029	2,025	1,389	1,264	817	923	922	1,312	998	707
Contributions and donations	282	1,003			689					
Miscellaneous revenue	538		1,078	813	799	1,093	1,762	822	304	653
Total revenues	51,404	50,106	46,547	45,764	48,538	43,793	44,605	48,587	48,446	50,986
Expenditures:										
Current:										
General government	9,151	9,019	8,522	8,820	7,667	7,666	8,431	9,545	8,893	8,345
Public protection	26,646	27,093	26,282	25,249	24,489	24,466	24,716	23,979	22,211	20,863
Public works	4,508	4,393	4,532	4,174	3,715	4,383	4,657	5,842	5,587	7,827
Community development	1,226	1,192	1,111	1,037	969	1,013	1,341	2,006	2,062	1,847
Library	1,311	1,268	1,411	1,381	1,357	1,322	1,500	1,673	1,588	1,468
Parks and recreation	2,145	2,299	2,370	2,254	4,127	4,180	3,776	3,826	3,598	3,440
Capital outlay	9,842	7,652	6,271	2,961	9,377	5,108	6,791	4,207	3,526	7,232
Debt service:										
Interest and fiscal charges	845	851	483	1,039	1,081	1,110	1,139	1,170	1,205	1,238
Principal payments			245	630	752	725	789	898	900	892
Advance refunding escrow			1,689							
Total expenditures	55,674	53,767	52,916	47,545	53,534	49,973	53,140	53,146	49,570	53,152
Excess (deficiency) of revenues over (under) expenditures	(4,270)	(3,661)	(6,369)	(1,781)	(4,996)	(6,180)	(8,535)	(4,559)	(1,124)	(2,166)

(Continued)

CITY OF LODI

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (continued) LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Other financing sources (uses):										
Transfers in	15,599	11,596	12,546	14,486	11,881	11,173	10,609	7,058	8,863	9,142
Transfers out	(8,036)	(6,804)	(6,864)	(11,348)	(5,224)	(5,305)	(5,242)	(3,365)	(4,136)	(4,219)
Proceeds from sale of land					98					
Refunding bonds issued			20,103							
Payment to refunded bond escrow agent			(19,848)							
Total other financing sources (uses)	7,563	4,792	5,937	3,138	6,755	5,868	5,367	3,693	4,727	4,923
Special item- sale of parkland					630					
Net change in fund balances	3,293	1,131	(432)	1,357	2,389	(312)	(3,168)	(866)	3,603	2,757
Fund balances, beginning of year	21,143	20,012	20,444	19,087	16,698	17,010	20,178	21,044	17,441	14,684
Fund balances, end of year	\$ 24,436	\$ 21,143	\$ 20,012	\$ 20,444	\$ 19,087	\$ 16,698	\$ 17,010	\$ 20,178	\$ 21,044	\$ 17,441
Debt service as a percentage of noncapital expenditures	1.9%	1.9%	5.5%	3.9%	4.3%	4.3%	4.3%	4.4%	4.8%	4.9%

Source: City of Lodi Finance Services Division

City of Lodi

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	Fiscal Year										% Change 2006 to 2015
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Property	\$ 8,810	\$ 8,314	\$ 7,955	\$ 7,861	\$ 8,285	\$ 8,342	\$ 8,887	\$ 9,210	\$ 9,289	\$ 7,676	15%
Sales and Use	10,625	10,111	9,350	9,246	8,663	6,873	8,028	9,296	10,137	9,812	8%
Transient Occupancy	666	594	545	486	426	382	405	396	380	368	81%
Franchise	1,942	1,862	1,758	1,734	1,715	1,681	1,415	976	929	890	118%
Documentary Transfer	159	155	120	91	95	117	114	125	235	355	-55%
Motor Vehicle in Lieu	4,533	4,289	4,143	4,151	4,317	4,377	4,784	4,797	4,635	4,402	3%
Public Protection	362	341	325	295	250	267	296	338	390	310	17%
Business License	1,133	1,220	1,187	1,182	958	962	1,038	1,140	1,082	973	16%
In Lieu Franchise	7,033	6,977	6,977	6,977	6,977	6,977	6,942	8,362	8,680	7,831	-10%
Totals	\$ 35,263	\$ 33,863	\$ 32,360	\$ 32,023	\$ 31,686	\$ 29,978	\$ 31,909	\$ 34,640	\$ 35,757	\$ 32,617	8%

Note: General governmental tax revenues are included in taxes, licenses and permits, intergovernmental revenues and miscellaneous revenues.

CITY OF LODI

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Secured roll	\$ 5,156,704	\$ 4,895,091	\$ 4,737,807	\$ 4,738,823	\$ 4,907,588	\$ 4,986,693	\$ 5,156,706	\$ 5,069,788	\$ 4,799,141	\$ 4,254,184
Utility roll	3,490	3,490	2,382	2,382	2,423	2,423	2,031	2,035	2,773	3,654
Unsecured roll	257,856	230,827	233,398	226,651	270,600	270,315	263,648	258,687	242,082	216,065
Gross assessed value	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903
Less exemptions (1)	326,833	324,439	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590
Net assessed value	<u>5,091,217</u>	<u>4,804,969</u>	<u>4,645,804</u>	<u>4,653,408</u>	<u>4,859,473</u>	<u>4,926,730</u>	<u>5,157,231</u>	<u>5,087,251</u>	<u>4,814,947</u>	<u>4,253,313</u>
Land	1,469,347	1,364,401	1,227,969	1,264,884	1,322,830	1,345,815	1,562,729	1,537,554	1,431,203	1,226,293
Improvements	3,610,391	3,443,266	3,445,328	3,401,792	3,534,778	3,600,824	3,577,741	3,503,186	3,327,453	2,989,575
Personal property	338,312	321,741	300,290	301,180	323,003	312,792	281,915	289,770	285,340	258,035
Gross assessed value	5,418,050	5,129,408	4,973,587	4,967,856	5,180,611	5,259,431	5,422,385	5,330,510	5,043,996	4,473,903
Less exemptions (1)	326,833	324,439	327,783	314,448	321,138	332,701	265,154	243,259	229,049	220,590
Net assessed value	<u>\$ 5,091,217</u>	<u>\$ 4,804,969</u>	<u>\$ 4,645,804</u>	<u>\$ 4,653,408</u>	<u>\$ 4,859,473</u>	<u>\$ 4,926,730</u>	<u>\$ 5,157,231</u>	<u>\$ 5,087,251</u>	<u>\$ 4,814,947</u>	<u>\$ 4,253,313</u>
Total Direct Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

(1) All exemptions (secured, utility, and unsecured rolls) are homeowners - \$61,499 and other - \$265,384 = \$326,833

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 assessed at the time that it is sold to a new owner. At that point, the property being sold is reassessed at the purchase price. The assessed valuation data shown above represents the only data currently available with respect to the the actual market value of taxable property and is subject to the limitations described above.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS (Rate per \$100 of assessed value)

Fiscal Year	Basic Countywide Levy	School	All Other	Total
2015	1.0000	0.0658	0.0000	1.0658
2014	1.0000	0.0574	0.0000	1.0574
2013	1.0000	0.0646	0.0000	1.0646
2012	1.0000	0.0658	0.0000	1.0658
2011	1.0000	0.0626	0.0000	1.0626
2010	1.0000	0.0575	0.0000	1.0575
2009	1.0000	0.0517	0.0000	1.0517
2008	1.0000	0.0478	0.0000	1.0478
2007	1.0000	0.0478	0.0000	1.0478
2006	1.0000	0.0570	0.0000	1.0570

Source: San Joaquin County Tax Collector

CITY OF LODI

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO (Dollar amounts in thousands)

Taxpayer	Fiscal Year					
	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Lodi Memorial Hospital Assn	\$ 149,117	1	3.083 %	\$		%
Pacific Coast Producers	104,939	2	2.170	43,068	2	1.068
General Mills	86,831	3	1.795	152,102	1	3.771
California Physicians Service Corp	57,476	4	1.188			
Cottage Bakery Inc	41,022	5	0.848	25,341	4	0.628
Westcore Vine LP	26,417	6	0.546			
Costco	19,793	7	0.409			
Archer Daniels Midland Co Corp	18,405	8	0.381			
Dart Container Corp	16,638	9	0.344	17,625	8	0.437
North American Specialty Products LLC	15,723	10	0.325			
Pacific Coast Producers Corp.				34,267	3	0.850
Kristmont West				21,961	5	0.544
Parinehs Exchange 2004 LLC				19,539	6	0.484
Certainteed Corp				18,842	7	0.467
Fountains At Lodi LLC				13,031	9	0.323
Panattoni, Carl D ETAL				12,984	10	0.322
Principal Secured Property Valuation	536,361		11.089	358,760		8.894
Other Secured Taxpayers	4,620,343		95.520	3,895,424		96.575
Exemptions relative to secured tax roll	319,672		6.609	220,590		5.469
Total Secured Property Valuation	<u>\$ 4,837,032</u>		<u>100.000 %</u>	<u>\$ 4,033,594</u>		<u>100.000 %</u>

CITY OF LODI

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Dollar amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Total Collections to Date			
			Amount	Percent of Levy (1)	Amount	Percent of Levy		
2015	\$	8,742	\$	8,742	100.0%	\$	8,742	100.0%
2014		8,353		8,353	100.0%		8,353	100.0%
2013		7,865		7,865	100.0%		7,865	100.0%
2012		7,754		7,754	100.0%		7,754	100.0%
2011		8,143		8,143	100.0%		8,143	100.0%
2010		8,291		8,291	100.0%		8,291	100.0%
2009		7,966		7,966	100.0%		7,966	100.0%
2008		8,167		8,167	100.0%		8,167	100.0%
2007		8,170		8,170	100.0%		8,170	100.0%
2006		7,815		7,815	100.0%		7,815	100.0%

1) Per agreement with San Joaquin County, the County provides the City of Lodi with 100% of the amount owed to the City for secured properties, regardless of collection status. In exchange, the County is entitled to 100% of revenues collected for interest and penalties. This agreement is commonly referred to as the Teeter Plan.

Source: San Joaquin County Auditor/Controller's Office

**CITY OF LODI
ELECTRICITY SOLD BY TYPE OF CUSTOMER
LAST TEN FISCAL YEARS**

Type of Customer	Billed Accounts									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City Accounts	212	207	204	195	197	189	189	187	186	184
Contract Large Industrial								5	5	6
Contract Medium Industrial								1	1	2
Contract Small Industrial								1	0	1
Domestic Residential	22,393	22,623	22,541	22,361	22,360	22,525	22,506	22,510	22,938	22,860
Domestic Mobile Home Park	13	13	13	13	13	13	13	13	13	13
Dusk to Dawn	88	89	88	92	89	89	92	92	95	95
Large Commercial	337	339	344	336	350	357	377	380	375	359
Large Industrial	41	39	40	38	40	39	37	32	33	33
Medium Industrial	12	11	11	9	9	9	8	8	10	13
Residential Low Income	2,798	2,788	2,582	2,531	2,258	2,193	1,847	1,943	2,003	1,910
Small Commerical	3,332	3,367	3,358	3,340	3,324	3,280	3,249	3,199	3,241	3,279
Small Industrial	7	8	9	11	11	10	10	9	9	9
Total	29,233	29,484	29,190	28,926	28,651	28,704	28,328	28,380	28,909	28,764

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS (Dollar amounts in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percent of Personal Income (1)	Per Capita (1)	
	Lease Revenue Bonds	Loan Payable	Notes Payable	Total Governmental Activities	Certificates of Participation and Revenue Bonds	Notes Payable				Total Business-type Activities
2015	\$ 19,950		\$ 245	\$ 20,195	\$ 149,767	\$	\$ 149,767	\$ 169,962	7.67 %	\$ 2,667
2014	20,004		245	20,249	157,297		157,297	177,546	9.10	2,821
2013	20,058		245	20,303	167,743		167,743	188,046	9.74	2,993
2012	21,025		245	21,270	173,241		173,241	194,511	10.34	3,096
2011	21,655		245	21,900	178,827		178,827	200,727	10.67	3,213
2010	22,265		245	22,510	144,165	1,409	145,574	168,084	8.49	2,645
2009	22,855		245	23,100	148,529	1,585	150,114	173,214	8.81	2,736
2008	23,420	94	245	23,759	140,640	1,755	142,395	166,154	8.99	2,622
2007	23,975	187	245	24,407	122,128	1,918	124,046	148,453	8.15	2,342
2006	24,510	279	245	25,034	125,863	2,077	127,940	152,974	8.93	2,435

Details regarding the City's outstanding debt can be found in Note 8 of these financial statements.

(1) See Demographic and Economic Statistics table for personal income and population.

Source: City of Lodi Financial Services Division

CITY OF LODI

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(Dollar amounts in thousands, except per capita)

Fiscal Year	Lease Revenue Bonds	Less Amounts Available for Debt Service	Net	Percent of Assessed Value (1) of Property	Per Capita
2015	\$ 19,950		\$ 19,950	0.4 %	\$ 313.09
2014	20,004		20,004	0.4	314.28
2013	20,058	10	20,048	0.4	318.58
2012	21,025	1,692	19,333	0.4	307.73
2011	21,655	1,692	19,963	0.4	319.55
2010	22,265	1,692	20,573	0.4	323.73
2009	22,855	1,692	21,163	0.4	334.26
2008	23,420	1,692	21,728	0.4	342.92
2007	23,975	1,692	22,283	0.4	351.49
2006	24,510	1,692	22,818	0.5	363.25

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.

Source: City of Lodi Financial Services Division

CITY OF LODI

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (Dollar amounts in thousands)

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assessed valuation (1)	\$ 5,152,666	\$ 4,867,731	\$ 4,709,916	\$ 4,718,766	\$ 4,926,130	\$ 4,995,362	\$ 5,227,580	\$ 5,159,269	\$ 4,887,074	\$ 4,325,000
Conversion percentage	<u>25%</u>									
Adjusted assessed valuation	1,288,167	1,216,933	1,177,479	1,179,692	1,231,533	1,248,841	1,306,895	1,289,817	1,221,769	1,081,250
Debt limit percentage	<u>15%</u>									
Debt Limit	193,225	182,540	176,622	176,954	184,730	187,326	196,034	193,473	183,265	162,188
Total net debt applicable to limit	<u>19,950</u>	<u>20,004</u>	<u>20,048</u>	<u>19,333</u>	<u>19,963</u>	<u>20,573</u>	<u>21,163</u>	<u>21,728</u>	<u>22,283</u>	<u>22,818</u>
Legal debt margin	<u>\$ 173,275</u>	<u>\$ 162,536</u>	<u>\$ 156,574</u>	<u>\$ 157,621</u>	<u>\$ 164,767</u>	<u>\$ 166,753</u>	<u>\$ 174,871</u>	<u>\$ 171,745</u>	<u>\$ 160,982</u>	<u>\$ 139,370</u>
Total net debt applicable to the limit as a percent of debt limit	10.3%	11.0%	11.4%	10.9%	10.8%	11.0%	10.8%	11.2%	12.2%	14.1%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1982 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the state.

(1) Reflects City assessed valuation with other exemptions of \$265,384 deducted for 2015.

Source: San Joaquin County Auditor-Controller's Office

CITY OF LODI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015

	Total Debt	Percentage Applicable (1)	City's Share of Debt
OVERLAPPING DEBT:			
San Joaquin Community College District	\$ 153,118,000	8.865 %	\$ 13,573,911
Lodi Unified School District	89,335,000	37.209	33,240,660
San Joaquin County Certificates of Participation	152,425,000	9.821	14,969,659
Lodi Unified School District Certificates of Participation	36,665,000	37.209	13,642,680
SUBTOTAL OVERLAPPING DEBT			<u>75,426,910</u>
DIRECT DEBT:			
City of Lodi Lease Revenue Bonds	19,950,250	100.00	19,950,250
City of Lodi - Note payable	245,000	100.00	245,000
SUBTOTAL DIRECT DEBT			<u>20,195,250</u>
TOTAL DIRECT AND OVERLAPPING DEBT(2)			<u>\$ 95,622,160</u>

2014-15 Gross Assessed Valuation \$ 5,418,050,000

2014-15 Population 63,719

DEBT RATIOS	Total Gross Debt	Per Capita	Value
	\$ 95,622,160	\$ 1,501	1.76%

(1) Percent of overlapping agency's assessed valuation located within the boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

SOURCE: California Municipal Statistics, San Francisco, CA
San Joaquin County Auditors-Controller Office
State of California, Department of Finance, Demographic Research Unit

CITY OF LODI

PLEGGED-REVENUE COVERAGE LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Electric Revenue Certificates of Participation							
2015	\$ 67,132	\$ 52,116	\$ 15,016	\$ 4,960	\$ 3,358	\$ 8,318	1.81
2014	67,144	50,349	16,795	4,750	3,606	8,356	2.01
2013	63,974	51,209	12,765	4,575	3,839	8,414	1.52
2012	65,220	50,164	15,056	3,270	4,021	7,291	2.07
2011	63,307	48,397	14,910	3,080	4,152	7,232	2.06
2010	70,288	49,949	20,339	2,920	4,274	7,194	2.83
2009	75,195	58,370	16,825	5,240	4,720	9,960	1.69
2008	74,923	54,437	20,486	2,305	3,961	6,266	3.27
2007	67,865	52,984	14,881	2,350	3,977	6,327	2.35
2006	61,066	51,131	9,935	-	3,613	3,613	2.75

CITY OF LODI

PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less:	Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
		Principal			Interest	Total		
Wastewater Certificates of Participation and Revenue Bonds								
2015	\$ 15,845	\$ 6,335	\$ 9,510	\$ 1,500	\$ 2,172	\$ 3,672	2.59	
2014	15,186	6,003	9,183	4,610	2,294	6,904	1.33	
2013	14,305	5,674	8,631	1,500	2,560	4,060	2.13	
2012	13,787	6,659	7,128	1,430	2,688	4,118	1.73	
2011	16,508	5,972	10,536	1,370	2,748	4,118	2.56	
2010	12,284	6,180	6,104	1,320	2,832	4,152	1.47	
2009	10,764	5,921	4,843	1,270	2,882	4,152	1.17	
2008	10,530	6,189	4,341	1,355	2,334	3,689	1.18	
2007	9,881	5,287	4,594	1,315	2,017	3,332	1.38	
2006	9,865	4,886	4,979	1,275	2,056	3,331	1.49	

CITY OF LODI

PLEDGED-REVENUE COVERAGE (continued) LAST TEN FISCAL YEARS (Dollars amounts in thousands)

Fiscal Year	Adjusted Annual Revenues (1)	Less: Adjusted Operating Expenses (2)	Net Available Revenue	Debt Service			Coverage
				Principal	Interest (3)	Total	
Water Revenue Bonds							
2015	\$ 13,370	\$ 5,815	\$ 7,555	\$ 850	\$ 1,506	\$ 2,356	3.21
2014	14,166	6,835	7,331	825	1,530	2,355	3.11
2013	13,367	6,899	6,468	800	1,535	2,335	2.77
2012	13,275	5,392	7,883	775	1,530	2,305	3.42
2011	14,051	5,662	8,389	1,409	874	2,283	3.67

Includes all nongeneral obligation long-term debt backed by pledged revenues.

Details regarding the City's outstanding debt can be found in Note 8 of these financial statements.

- (1) Total operating revenues including investment earnings, operating grants, capital contributions and other revenue.
- (2) Total operating expenses including cost of services paid to the General Fund and excluding in-lieu fees, depreciation and amortization.
- (3) Net of Build America Bonds interest subsidy.

CITY OF LODI

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Square Miles	City Population	Population Percent Change	San Joaquin County Population	Population Percent of County	Rank in Size of California Cities	Personal Income (millions of dollars)	Per Capita Personal Income	Unemployment Rate
2015	13.98	63,719	0.4%	719,511	8.9%	138	\$ 2,215	34,755	7.8%
2014	13.98	63,651	0.2%	710,731	9.0%	135	2,102	33,024	8.8%
2013	13.92	62,930	0.2%	698,414	9.0%	137	1,952	31,013	9.0%
2012	13.92	62,825	0.8%	695,750	9.0%	136	1,931	30,732	11.3%
2011	13.92	62,473	0.6%	690,899	9.0%	135	1,882	30,132	13.4%
2010	13.92	63,549	0.6%	694,293	9.2%	136	1,980	31,166	13.3%
2009	13.92	63,313	-0.1%	689,480	9.2%	135	1,967	31,071	12.2%
2008	13.92	63,362	-0.1%	685,600	9.2%	133	1,849	29,178	7.1%
2007	13.17	63,395	0.9%	679,687	9.3%	129	1,822	28,743	6.1%
2006	12.81	62,817	0.6%	668,265	9.4%	131	1,713	27,272	5.5%

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts.

Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area. In computing per capita personal income, Bureau of Economic analysis uses the Census Bureau's annual midyear population estimates.

Source: State of California, Department of Finance, Demographic Research Unit and Department of Labor.

CITY OF LODI

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	Current			Nine Years Ago		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Lodi Unified School District	3,090	1	11.83 %	2,400	1	9.19 %
Lodi Memorial Hospital	1,386	2	5.31	900	2	3.44
Pacific Coast Producers	2,800	3	10.72	500	4	1.91
Blue Shield	780	4	2.99	550	3	2.11
ConAgra	485	5	1.86			
General Mills	280	6	1.07	425	6	1.63
City of Lodi	391	7	1.50	429	5	1.64
Walmart	190	8	0.73	317	7	1.21
Farmers & Merchants Bank	192	9	0.73	314	8	1.20
Target	177	10	0.68	186	10	0.71
Valley Industries				295	9	1.13
Total	<u>9,771</u>		<u>37.41</u>	<u>6,316</u>		<u>24.18</u>

CITY OF LODI

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY DEPARTMENT LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011*	2010	2009	2008	2007	2006
Department:										
Administration	10	10	10	12	13	31	32	19	35	33
Community Development	11	9	9	9	13	13	13	14	18	17
Electric	48	43	40	40	41	51	50	48	64	65
Financial Services						24	26	39	30	28
Fire	53	53	53	54	64	64	64	64	64	61
Internal Services	31	31	31	29	35					
Library	10	10	11	12	14	14	14	14	16	14
Parks and Recreation						31	31	30	34	31
Parks, Recreation and Cultural Services	26	27	27	29	37					
Police	102	104	104	103	125	125	125	125	116	117
Public Works	100	95	92	93	98	102	102	107	114	99
Total	391	382	377	381	440	455	457	460	491	465

* Community Center, Human Resources and Information Systems were previously included in Administration. Budget, Financial Services, Human Resources and Information Services are now Internal Services. Community Center, Parks & Recreation are now Parks, Recreation and Cultural Services.

Source: City of Lodi Budget Document

CITY OF LODI
 OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:										
Building permits issued	2,404	1,791	1,578	1,461	2,022	1,709	1,754	1,851	2,317	2,699
Business tax certificates:										
Retail sales and service	2,281	2,633	2,526	2,485	2,530	2,406	2,496	2,442	2,632	2,565
Manufacturers and processors	23	80	78	77	76	80	82	78	78	125
Professions	323	362	362	364	371	373	380	398	404	322
Miscellaneous contractors, peddlers, delivery vehicles, etc.	1,256	1,595	1,456	1,362	1,357	1,312	1,411	1,063	1,127	533
Utility billing/customer service:										
Number of customers	25,912	25,733	23,927	23,761	23,575	25,573	25,555	25,555	25,712	25,655
Energy sales (KWH)	438,780,911	437,294,133	435,822,465	435,655,731	421,130,329	434,200,987	452,075,554	450,407,709	458,740,745	459,637,092
Peak demand (MW)	134	126	122	116	116	120	134	134	144	127
Public safety:										
Police:										
Major reported crimes	2,268	2,519	2,643	3,573	2,885	2,377	2,454	2,993	3,095	3,234
Total arrests	3,690	3,656	3,825	4,350	4,410	4,238	4,646	5,590	5,463	5,162
Dispatched calls for service	35,992	35,281	50,124	46,756	52,061	51,870	56,391	55,911	53,686	55,937
Fire:										
Interior structure fire calls	32	33	67	57	56	47	69	88	79	66
Non-structural fire calls	143	1,923	209	163	121	123	123	160	163	159
Hazardous materials calls	65	53	58	41	69	70	70	35	27	26
Emergency medical calls	3,418	3,848	3,882	3,820	3,752	3,494	3,364	3,420	3,213	2,912
Total emergency calls	3,666	4,144	5,823	5,620	5,753	5,385	5,382	5,346	5,000	4,447
Total number of units dispatched	5,727	7,845	7,954	7,855	7,835	7,390	7,038	7,841	7,005	6,055
Public works:										
Miles of streets resurfaced	6	6	6	6	6	3	6	5	4	33
Fleet job orders completed	2,500	2,004	1,803	1,953	2,810	3,303	3,921	3,520	6,936	5,608
Trees planted	135	131	131				96	130	95	-
Water utility:										
New connections	8	8	8	7	8	17	17	35	110	266
Water main breaks	16	14	14	10	8	6	4	4	10	8
Wastewater utility:										
Average daily treatment (million gal/day)	4.6MG	5.0MG	5.10MG	6.5MG	6.5MG	6.5MG	6.5MG	6.5MG	6.9MG	6.7MG
Library:										
Registered borrowers	58,824	55,835	51,594	47,147	43,927	39,199	53,530	48,969	44,558	52,779
Circulation of library materials	197,673	225,476	215,293	217,742	248,250	251,967	219,711	280,466	273,270	281,216
Reference, research and informational questions answered	13,189	16,750	16,270	14,463	16,234	16,501	15,379	19,257	18,854	17,342
Annual attendance at libraries		209,929	224,762	222,148	210,279	207,123	n/a	296,793	288,070	287,986
Number of programs offered	432	284	407	432	388	344	316	348	339	320
Annual attendance at programs	12,888	10,824	14,443	12,993	13,133	10,676	8,765	11,242	10,700	10,872
Public access computer usage	41,180	47,126	45,871	47,428	58,990	52,124	38,388	38,999	35,260	29,896

(Continued)

CITY OF LODI
 OPERATING INDICATORS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Community center:										
Community center bookings	794	769	718	698	926	789	475	494	302	220
Instructional classes	500	553	580	307	536	583	507	530	478	509
Registered students	2,586	3,269	2,819	3,713	3,438	3,525	3,316	5,550	3,548	4,369
Yearly attendance	13,925	13,925	13,925	13,925	14,217	13,355	14,050	14,410	14,429	15,359
Parks and recreation:										
After school program registration (number of participants/sites)	315140/18	254,096/20	1,715/20	3,232/20	1,920/4	1,920/4	1,920/4	3,014/4	145,000/12	135,000/12
Adult sports										
Program/Participation	15,285	2,082	2,246	2,420	2,528	2,528	2,284	28,000	36,000	36,000
Programs offered	18	17	16	15	16	16	13	11	11	11
Partnerships	2	2	2	3	5	5	1	3	3	5
Tournaments	10	5	6	12	7	7	10	10	20	20
Youth/Teen sports										
Program attendance	3,621	3,672	3,643	3,889	4,251	4,251	215,000	195,000	200,000	200,000
Programs offered	18	18	19	24	16	16	24	14	14	20
Aquatics										
Program attendance	28,009	27,731	23,414	34,366	32,566	32,566	2,433	50,000	59,000	59,000
Number of programs	15	13	13	25	13	13	6	3	8	6

Source: City of Lodi

CITY OF LODI
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:										
Total square miles	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.92	13.17	12.81
Public safety:										
Police:										
Facilities:										
Stations	1	1	1	1	1	1	1	1	1	1
Animal control facility	1	1	1	1	1	1	1	1	1	1
Police training facility (pistol range)	1	1	1	1	1	1	1	1	1	1
Vehicles:										
Marked patrol cars	23	23	23	23	23	23	25	25	25	28
Motorcycles and scooters	7	5	5	5	5	5	5	5	5	4
Animal control vehicles	2	2	2	2	2	2	2	2	2	3
Other automobiles	37	37	37	37	37	37	38	40	41	41
Fire:										
Facilities:										
Fire stations	4	4	4	4	4	4	4	4	4	4
Vehicles:										
Fire engines	6	6	6	6	7	7	7	6	6	5
Trucks/Trailers	6	6	6	5	5	6	6	9	8	7
Other automobiles	11	11	11	9	8	10	12	7	10	11
Public works:										
Miles of streets	202	202	202	202	202	202	202	200	184	198
Miles of alley ways	16	16	16	16	16	16	16	16	16	16
Traffic signals	67	67	67	67	67	62	62	64	66	64
Street lights	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,270	7,203

(Continued)

CITY OF LODI
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Parks and recreation:										
Parks and squares	26	26	26	26	26	26	26	23	23	23
Park acreage	361	361	361	373	373	373	371	275	275	275
Boating facilities - launch lanes	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	4	4	3	3	3
Baseball/softball diamonds	20	20	20	24	24	24	24	26	26	26
Tennis courts	11	11	11	11	11	11	11	11	11	11
Skateboard park	1	1	1	1	1	1	1	1	1	1
Playgrounds	20	20	20	22	25	25	25	22	22	22
Ballpark	24	24	24	24	24	24	24	26	26	26
Soccer Field	22	22	22	22	22	22	22	22	22	22
Football Field	1	1	1	1	1	1	1	3	3	3
Handball/Basketball/Volleyball Courts/Bocce Courts	12	12	12	10	10	10	10	8	8	8
Horseshoe Pits	8	8	8	8	6	6	6	7	10	10
Library:										
Central library	1	1	1	1	1	1	1	1	1	1
Total items in collection	119,554	148,287	149,243	135,113	134,804	130,530	135,197	142,885	142,098	134,129
Integrated library system	1	1	1	1	1	1	1	1	1	1
Microfilm readers	1	1	1	1	1	1	1	1	1	1
Microfilm readers/printers	1	1	1	1	1	1	1	1	1	1
Self check out machines	2	2	2	2	2	2	2	0	1	1
Electric utility:										
Overhead lines 12kv (miles)	117	117	133	133	133	130	130	130	129	129
Overhead lines 60kv (miles)	14	14	14	14	13	13	13	13	13	13
Underground lines (miles)	118	115	159	159	157	155	154	153	151	151

(Continued)

**CITY OF LODI
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM/DEPARTMENT - (continued)
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water utility:										
Water main lines	236	236	236	236	236	237	233	233	238	235
Water storage capacity (gallons)	4,100,000	4,100,000	4,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Water wells	28	28	28	27	27	26	26	26	26	26
Water reservoirs	3	3	3	2	2	2	2	2	2	2
Wastewater utility:										
Wastewater main lines (miles)	196	196	196	196	196	191	194	194	189	182
Treatment capacity	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG	8.5 MG
Wastewater treatment plant	1	1	1	1	1	1	1	1	1	1
Stormwater utility:										
Stormwater main drain lines (miles)	124	124	124	124	124	124	161	119	161	115
Stormwater pump stations	14	14	14	14	14	14	14	14	14	13
Central parking district:										
Parking structure	1	1	1	1	1	1	1	1	1	1
Parking spaces	2,450	2,450	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453
Parking lots	25	25	25	25	25	25	25	25	25	25

Source: City of Lodi Departments

SINGLE AUDIT REPORTS

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor			
Pass-through Grantor or Direct Federal Program Title	CFDA Number	Grant/Project Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-06-0038	\$ 263,095
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0038	221,663
Total Community Development Block Grants/Entitlement Grants			<u>484,758</u>
U.S. Department of Justice			
Direct:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0877	<u>9,846</u>
U.S. Department of Transportation			
Direct:			
Federal Transit - Formula Grants	20.507	CA-95-X169	130,542
Federal Transit - Formula Grants	20.507	CA-95-X207	1,442,302
Federal Transit - Formula Grants	20.507	CA-90-Z171	332,800
Federal Transit - Formula Grants	20.507	CA-90-Z281	678,769
Federal Transit - Formula Grants	20.507	CA-90-Z293	913,769
Total Federal Transit - Formula Grants			<u>3,498,182</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF LODI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor			
Pass-through Grantor or Direct Federal Program Title	CFDA Number	Grant/Project Number	Federal Expenditures
U.S. Department of Transportation (Continued)			
Passed through California Department of Transportation:			
Highway Planning and Construction	20.205	STPL-5154(040)	\$ 230,890
Highway Planning and Construction	20.205	RPSTPLE-5154(044)	<u>43,358</u>
Total Highway Planning and Construction			<u>274,248</u>
Passed through California Office of Traffic Safety			
State and Community Highway Safety	20.600	PT1462	26,531
Passed through University of California, Berkeley:			
State and Community Highway Safety	20.600	SC14230	<u>14,602</u>
Total State and Community Highway Safety			<u>41,133</u>
Passed through California Office of Traffic Safety			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1557	112,533
Passed through City of Stockton:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1160	<u>16,473</u>
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>129,006</u>
Total U.S. Department of Transportation			<u>3,942,569</u>
Total Expenditures of Federal Awards			<u>\$ 4,437,173</u>

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF LODI
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2015, presents the activity of all federal award programs of the City of Lodi, California (City). The City reporting entity is defined in Note 1 of the City’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental fund types and the full accrual basis of accounting for grants accounted for in proprietary fund types, as described in Note 1 of the City’s basic financial statements.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and Office of Management and Budget’s Catalog of Federal Domestic Assistance.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the SEFA, the City provided federal awards to subrecipients as follows:

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$192,737



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Members of City Council
City of Lodi, 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 Lodi, California (City), as of and for the year ended June 30, 2015, 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 3, 2016.

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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the 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.



Sacramento, California
February 3, 2016



**Independent Auditor's Report on Compliance for the Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

The Honorable Members of City Council
City of Lodi, California

Report on Compliance for the Major Federal Program

We have audited the City of Lodi's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
February 3, 2016

**CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
▪ Material weaknesses identified?	No
▪ Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
Identification of major federal programs:	
<u>Federal Program Title</u>	<u>CFDA No.</u>
Federal Transit – Formula Grants	20.507
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

CITY OF LODI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

Reference Number: 2015-001

Criteria:

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:

The City is not charging City funds their share of the City's Other Postemployment Benefits (OPEB) costs accumulating in its Benefits Internal Service Fund.

Context:

The Benefits Internal Service Fund's deficit net position balances were \$1,078,724, \$1,930,874, \$2,934,664, \$3,621,665, \$3,203,516, \$3,568,267, and \$3,712,939 as of June 30, 2009, 2010, 2011, 2012, 2013, 2014, and 2015, respectively.

Effect:

This condition resulted in an increase of \$144,672 in the deficit net position of the Benefits Internal Service Fund during the year ended June 30, 2015.

Cause:

The City is only charging City funds their share of the City's OPEB costs that it has chosen to pay under a pay-as-you-go basis.

Recommendation:

Under generally accepted accounting principles, the City should either charge City funds their share of the OPEB costs incurred in its Benefits Internal Service Fund as opposed to limiting the charges to those costs actually paid, or report the OPEB liability in other City funds like is done for the net pension liability.

Management Response and Corrective Action:

The City's practice of reflecting the total liability and expense of the OPEB program in the Benefits Internal Service Fund enhances transparency in reporting by showing the impact of this reporting requirement in one location. The deficit net position will continue until the City fully funds the actuarially calculated liability and expense that it is required to record. Staff will bring forward the deficit amount each budget cycle for City Council consideration.

Section III – Federal Award Findings and Questioned Costs

None

**CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Financial Statement Findings

Reference Number: 2014-001

Criteria:

Under generally accepted accounting principles, internal service funds are expressly designed to function as *cost-reimbursement devices*. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges.

Condition:

The City is not charging City funds their share of the City's Other Postemployment Benefits (OPEB) costs accumulating in its Benefits Internal Service Fund.

Context:

The Benefits Internal Service Fund's deficit net position balances were \$1,078,724, \$1,930,874, \$2,934,664, \$3,621,665, \$3,203,516, and \$3,568,267 as of June 30, 2009, 2010, 2011, 2012, 2013, and 2014, respectively.

Effect:

This condition resulted in an increase of \$364,751 in the deficit net position of the Benefits Internal Service Fund during the year ended June 30, 2014.

Cause:

The City is only charging City funds their share of the City's OPEB costs that it has chosen to pay under a pay-as-you-go basis.

Recommendation:

Under generally accepted accounting principles, the City needs to charge City funds their share of the OPEB costs incurred in its Benefits Internal Service Fund as opposed to limiting the charges to those costs actually paid.

Management Response and Corrective Action:

The City's practice of reflecting the total liability and expense of the OPEB program in the Benefits Internal Service Fund enhances transparency in reporting by showing the impact of this reporting requirement in one location. The deficit net position will continue until the City fully funds the actuarially calculated liability and expense that it is required to record. Staff will bring forward the deficit amount each budget cycle for City Council consideration.

Status:

During the year ended June 30, 2015, the Benefits Internal Service Fund's deficit net position increased by \$144,672, therefore this recommendation continues as finding 2015-001.

CITY OF LODI
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

Reference Number: 2014-002

Criteria:

Under generally accepted accounting principles, costs directly related to the acquisition or construction of capital assets, should be capitalized and not expensed. The City defines capital assets as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years.

Condition:

Transactions relating to the City's water meter capital asset project were expensed.

Cause:

The condition is a result of the timing of the City's year-end close process. The City runs a capital report identifying the City's capital asset activity and reconciles the activity to general ledger activity to ensure all costs were captured. However, costs relating to a capital project were accrued and reported in the general ledger subsequent to the previously mentioned reconciliation, thus project costs were improperly reported as an expense and not capitalized.

Effect:

As a result of this condition, a significant audit adjustment for the Water Fund debiting "capital assets" on the Statement of Net Position and crediting "services and supplies" expense on the Statement of Revenues, Expenses and Changes in Net Position for \$1,499,302 was recorded.

Recommendation:

The City should improve its year-end procedures for identifying capital projects to ensure proper financial reporting.

Management Response and Corrective Action:

The City is currently transitioning to a new financial system which includes capital assets and project management modules. These two modules will not only streamline the year-end capitalization process, it will also ensure proper financial reporting of the City's capital assets.

Status:

No transactions that should have been capitalized were determined to have been expensed during the year, therefore we consider this recommendation implemented.

CONTINUING DISCLOSURES

UNAUDITED

**CONTINUING DISCLOSURE REQUIREMENTS FOR THE CITY OF LODI, THE LODI PUBLIC IMPROVEMENT CORPORATION
AND THE LODI PUBLIC FINANCING AUTHORITY
Fiscal Year 2012-13**

The City of Lodi has executed Continuing Disclosure Certificates associated with the various debt issues outstanding by the Electric Utility, Wastewater Utility and the Lodi Public Improvement Corporation. These Certificates were executed to satisfy provisions of Securities and Exchange Commission Rule 15c2-12(b) (5). The material provided herein applies to the various debt issues as noted. Data for each utility is shown separately.

This Bond Disclosure Section included within the City's Comprehensive Annual Financial Report (CAFR) provides the information required by the Continuing Disclosure Certificates. The CAFR, in turn, will be filed with the Municipal Securities Rulemaking Board. The CAFR may also be found on the City's website at www.lodi.gov.

ANNUAL REPORT FOR ELECTRIC UTILITY

The Lodi Electric Utility has Continuing Disclosure requirements associated with its 2008 Series A Certificates of Participation, and 2002 Taxable Series D Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Electric Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's power supply resources for the most recently completed fiscal year.
2. A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.
3. A table showing the outstanding debt of joint powers agencies in which Lodi participates and the City of Lodi share of that debt for the most recent fiscal year.
4. A table showing a summary of Operating Results for the past five fiscal years.
5. A table showing Lodi Electric Utility Department Rate Changes since November 1996 (applicable only to the 2002 Series C and D issues).

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City's power supply resources.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
POWER SUPPLY RESOURCES**

Source	Capacity Available (MW) ⁽¹⁾⁽⁴⁾	Actual Energy (MWh)	% of Total Energy
Purchased Power⁽²⁾:			
Western	8.00	9,824	2.15%
NCPA			
Geothermal Project	12.91	87,319	19.09
Hydroelectric Project	26.20	17,217	3.76
Combustion Turbine Project No. 1	9.98	439	0.10
Capital Facilities, Unit One	19.71	1,442	0.32
Lodi Energy Center	28.75	158,527	34.65
Contracts and Exchanges ⁽³⁾	45.00	182,686	39.93
Total	150.55	457,454⁽⁴⁾	100.00%
Total Capacity and Energy Sold at Wholesale	N/A	3,326	
City System Requirement for Retail Load	134.01	454,128	

(1) Source: NCPA. Non-coincident capacity.

(2) Entitlements, firm allocations and contract amounts.

(3) Includes participation in NCPA/Seattle City Light exchange.

(4) Includes supply from exchanges and line losses.

Table 2 A table showing the average number of customers, sales, revenues and demand for the past five fiscal years.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
CUSTOMER SALES, REVENUE AND DEMAND**

	Fiscal Years Ended June 30,				
	2011	2012	2013	2014	2015
Number of Customers:					
Residential	22,251	22,244	22,369	22,547	22,355
Commercial	2,865	2,834	2,902	2,898	3,264
Industrial	39	37	39	38	40
Other	229	235	246	250	253
Total Customers	25,384	25,350	25,556	25,733	25,912
Kilowatt-Hour (kWh) Sales:					
Residential	144,256,683	149,814,375	151,814,834	148,762,783	148,950,428
Commercial	137,584,723	138,735,487	140,733,500	146,176,148	149,380,413
Industrial	128,072,575	135,620,441	131,473,405	130,333,102	128,814,673
Other	11,216,348	11,485,428	11,800,726	12,022,160	11,635,397
Total kWh sales	421,130,329	435,655,731	435,822,465	437,294,193	438,780,911
Revenues from Sale of Energy:					
Residential	\$ 24,513,202	\$ 25,606,368	\$ 25,377,978	\$ 25,270,075	\$ 25,165,194
Commercial	21,870,624	21,814,073	21,816,149	23,127,603	23,780,354
Industrial	13,914,539	14,876,828	14,173,951	14,381,296	14,418,921
Other	1,868,985	1,954,099	1,861,567	1,913,833	1,871,470
Total Revenues from Sale of Energy:	\$ 62,167,350	\$ 64,251,368	\$ 63,229,645	\$ 64,692,808	\$ 65,235,939
Peak Demand (MW)	123.9	116.0	123.3	128.7	134.0

Excludes revenues from California Energy Commission Tax.

Sources: City of Lodi, audited annual financial statements and Customer Information System reports.

Table 3 A table showing the outstanding debt of joint powers agencies in which Lodi participates.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
OUTSTANDING DEBT OF JOINT POWERS AGENCIES
(Dollar Amounts in Millions)**

	<u>Outstanding Debt⁽¹⁾</u>	<u>Lodi's Participation⁽²⁾</u>	<u>Lodi's Share of Outstanding Debt</u>
NCPA			
Geothermal Project Three	\$ 38.0	10.28%	\$ 3.9
Hydroelectric Project	383.0	10.37	39.7
Capital Facilities Project Unit One	44.6	39.50	17.6
Lodi Energy Center Project	241.0	17.03	41.0
TANC			
COTP	284.0	1.92 ⁽³⁾	5.5
TOTAL*	<u>\$ 990.6</u>	<u>10.87%</u>	<u>\$ 107.7</u>

* Columns may not add to totals due to independent rounding.

- (1) Source: NCPA Financial Statements.
- (2) Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without the written Consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.
- (3) Lodi's actual payment obligation differs slightly from this percentage due to varying shares of certain series of TANC bonds relating to each TANC member-participant's taxable portion and each TANC member-participant's participation or non-participation in acquisition of assets from Vernon. Effective July 1, 2014, Lodi has entered into a layoff of its COTP interest which will effectively reduce Lodi's share of outstanding debt to \$0. Lodi remains contractually obligated for its share.

Source: Northern California Power Agency.

Table 4 A table showing a summary of operating results for the past five fiscal years.

**CITY OF LODI
ELECTRIC SYSTEM
SUMMARY OF OPERATING RESULTS ⁽¹⁾
Ending Fiscal Year June 30 (Dollars in 000s)**

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Operating Revenues					
Rate Revenue	\$ 59,676	\$ 61,658	\$ 61,888	\$ 61,837	\$ 63,370
ECA Revenue	2,491	2,593	1,341	2,856	1,867
Other Revenue	1,140	969	745	2,451	1,895
Total Operating Revenue	<u>63,307</u>	<u>65,220</u>	<u>63,974</u>	<u>67,144</u>	<u>67,132</u>
Operating Expenses					
Purchased Power	35,282	39,416	39,191	37,303	38,512
Non-Power Costs ⁽²⁾	13,115	10,748	12,018	13,046	13,604
Total Operating Expenses	<u>48,397</u>	<u>50,164</u>	<u>51,209</u>	<u>50,349</u>	<u>52,116</u>
Net Revenue Available for Debt Service	<u>14,910</u>	<u>15,056</u>	<u>12,765</u>	<u>16,795</u>	<u>15,016</u>
Parity Debt Service					
2002 C & D, 2008 A Bonds	7,232	7,291	8,414	8,356	8,318
Total Net Debt Service	<u>7,232</u>	<u>7,291</u>	<u>8,414</u>	<u>8,356</u>	<u>8,318</u>
Debt Service Coverage	2.06	2.07	1.52	2.01	1.81
Remaining Revenue Available for Other Purposes	7,678	7,765	4,351	8,439	6,698
Non-Operating Revenue/Expenses					
Greenhouse gas allowance			2,018	453	2,323
In-Lieu Transfer to General Fund	(6,977)	(6,977)	(6,977)	(6,977)	(7,033)
Net Cash Flow Before Capital Expenditures	<u>701</u>	<u>788</u>	<u>(608)</u>	<u>1,915</u>	<u>1,988</u>
Beginning Operating Reserve	25,899	28,455	30,384	31,082	33,850
Changes in GOR	1,854	1,141	1,306	942	745
Net Deposit/Withdrawal from Reserves	701	788	(608)	1,915	1,988
Ending Operating Reserve	<u>\$ 28,454</u>	<u>\$ 30,384</u>	<u>\$ 31,082</u>	<u>\$ 33,939</u>	<u>\$ 36,583</u>

Source: City of Lodi

(1) As defined in the Installment Purchase Contract, this may or may not be on the same basis as Generally Accepted Accounting Principles.

(2) Non-power costs include cost of services provided by other departments and does not include depreciation and amortization expense.

Table 5 A table showing Lodi Electric Utility Department Rate Changes since November 1996.

**CITY OF LODI
ELECTRIC UTILITY DEPARTMENT
RATE CHANGES**

Effective Date	Percent Change
September 2015	Extended Economic Development Rates
January 2015	Average 5% increase across all rate classes
July 2013	Established Electric Vehicle and Industrial Equipment Charging Rates
April 2009	Established Economic Development Rates updated July 2013
December 2007	Established Solar Initiative Surcharge of \$0.00125 per kilowatt-hour
August 2007	Implemented monthly Energy Cost Adjustment
December 2005	Average 17% increase across all rate classes
December 2002	4.5% average rate increase
August 2001	Increased MCA for all but contract customers: 10% to 12% rate change
June 2001	Implemented MCA for residential and small commercial: 8% to 10% rate change
December 1998	5.00% rate decrease for small commercial/industrial customers
May 1998	2.50% general rate increase to fund public benefit programs
September 1997	4.5 to 5.5 cents per kilowatt-hour, non-demand, non-time-use, contract rate available for new large commercial/industrial loads
December 1996	10% to 40% economic development discount on new small to medium commercial/industrial electric loads

November 1996

Economic Stimulus Rate Credit increased to 1.262 cents per kilowatt-hour from 0.4 cents per kilowatt-hour for largest primary service customers (estimated 19% reduction)

Source: City of Lodi.

ANNUAL REPORT FOR WASTEWATER UTILITY

The Lodi Wastewater Utility has Continuing Disclosure requirements associated with its 2004 Series A Certificates of Participation, 2007 Series A Certificates of Participation and the 2012 Refunding Wastewater Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Wastewater Utility).

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the City's number of connections by user type for the past five fiscal years.
2. A table showing the proportion of service charge revenue by class of user for the most recent fiscal year (applicable only to the 2004 Series A issue).
3. A table showing the largest users by service charge revenues for the most recent fiscal year.
4. A table showing a schedule of service charges.
5. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2007 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table setting forth the City’s number of connections by user type for the past five fiscal years.

**City of Lodi
Wastewater System
Number of Connections by User Type
as of June 30
and Percentage of Fiscal Year 2014-15 Service Charge Revenue by User Type**

User Type	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>% of FY 14/15 Service Charge Revenue</u>
Residential	21,956	21,864	21,959	22,076	21,920	77%
Commercial/Industrial	<u>1,785</u>	<u>1,819</u>	<u>1,851</u>	<u>1,851</u>	<u>1,876</u>	<u>23%</u>
Total All Users	<u><u>23,741</u></u>	<u><u>23,683</u></u>	<u><u>23,810</u></u>	<u><u>23,927</u></u>	<u><u>23,796</u></u>	<u><u>100%</u></u>

Source: City of Lodi

Table 2 A table showing the proportion of service charge revenue by class of user for the most recent fiscal year.

**City of Lodi
Wastewater System
Proportion of Service Charge Revenues by Class of User
Fiscal Year 2014-15**

<u>User Type</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Single Family Residential	60%
Multiple Family Residential	17%
Commercial/Industrial	23%
Total	100%

Source: City of Lodi

Table 3 A table showing the largest users by service charge revenue for the most recent fiscal year.

**City of Lodi
Wastewater System
Largest Users by Service Charge Revenues
Fiscal Year 2014-15**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
ConAgra Foods	Specialty bakery, frozen dough	\$ 474,855	3.23%
General Mills	Cereals, bread mixes, snack foods	332,022	2.26
Lodi Unified School District	K-12, adult education	95,931	.65
Miller Packing Company	Hot dog producer	39,311	.27
Blue shield of California	Health Insurance	39,119	.27
Archer Daniels Midland	Agricultural processor	35,804	.24
Pacific Coast Producers	Private label fruit canning	32,856	.22
Covenant Care	Rehabilitation/Nursing Center	21,397	.14
Vienna Convalescent Hospital	Rehabilitation/Nursing Center	21,140	.14
Del Castillo Foods	Tortilla producer	20,580	.14
Total top ten users		\$ 1,113,015	7.56%
Total System		\$ 14,714,123	100.00%

Table 4 A table showing the schedule of service charges.

**City of Lodi
Wastewater System
Schedule of Wastewater Service Charges**

	<u>Service Charge</u> <u>(effective July</u> <u>1, 2011)</u>	<u>Service Charge</u> <u>(effective July</u> <u>1, 2012</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2013)</u>	<u>Service</u> <u>Charge</u> <u>(effective July</u> <u>1, 2014)</u>
For Residential Users (per month):				
1 Bedroom.....	\$24.47	\$25.20	\$25.83	\$26.48
2 Bedrooms.....	32.62	33.60	34.44	35.30
3 Bedrooms.....	40.78	42.00	43.05	44.13
4 Bedrooms.....	48.93	50.40	51.66	52.95
5 Bedrooms.....	57.09	58.80	60.27	61.78
6 Bedrooms.....	65.24	67.20	68.88	70.60
7 Bedrooms.....	73.40	75.60	77.49	79.43
For Commercial/Industrial Users:				
Moderate Strength (annual per Sewage Service Unit (SSU).....	\$391.44	\$403.20	\$413.28	\$423.61
High Strength:				
Flow (annual per MG).....	3,303.25	3,402.35	3,487.41	3,574.60
BOD (annual per 1,000 lbs.).....	545.12	561.47	575.51	589.90
SS (annual per 1,000 lbs.).....	340.84	351.07	359.85	368.85
Grease Interceptor/Septic Holding Tank Waste within City Limits (per 1,000 gal.).....	288.63	297.29	304.72	312.34
Septic Holding Tank Waste Outside City Limits (per 1,000 gal.).....	612.73	631.11	646.89	663.06
Disposal to Storm Drain System (per MG).....	303.18	312.28	320.09	328.09
Disposal to Industrial System:				
Flow (per MG, annual basis).....	2,609.28	2,687.56		
BOD (per 1,000 lbs., annual basis).....	23.92	24.64		
Winery Waste (per 1,000 gallons).....	292.27	301.01	301.04	

Table 5 A table showing historic operating results and debt service coverage for the past five fiscal years.

City of Lodi					
Wastewater System					
Historical Operating Results and Debt Service Coverage					
Fiscal Years 2010-11 through 2014-15					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Operating Revenues					
Charges for Services	\$13,089,679	\$13,280,216	\$13,747,216	\$14,305,093	\$14,714,123
Non-Operating Revenues					
Interest Income	220,600	216,108	301,347	427,308	356,590
Rent					
Other	3,198,194	290,819	256,868	453,798	774,007
Total System Revenues	<u>16,508,473</u>	<u>13,787,143</u>	<u>14,305,431</u>	<u>15,186,199</u>	<u>15,844,720</u>
Operating Expenses					
Personnel services	3,257,618	3,130,012	3,089,930	3,215,190	3,116,493
Supplies, Materials and services	1,955,464	2,818,041	1,900,710	2,145,745	2,541,909
Utilities	758,934	710,622	683,508	642,508	676,838
Total Operating Expenses	<u>5,972,016</u>	<u>6,658,675</u>	<u>5,674,148</u>	<u>6,003,443</u>	<u>6,335,240</u>
System Net Revenues	10,536,457	7,128,468	8,631,283	9,182,756	9,509,480
Parity Debt Service					
2003 Installment Payments	381,393	379,170	381,122	3,280,111	
2004 Installment Payments	2,147,600	2,139,350	1,705,213	98,321	98,325
2007 Installment Payments	1,588,750	1,599,050	1,598,950	1,603,550	1,602,850
2012 Installment Payments			374,519	1,921,700	1,970,350
Total Parity Debt Service	<u>4,117,743</u>	<u>4,117,570</u>	<u>4,059,804</u>	<u>6,903,682</u>	<u>3,671,525</u>
Debt Service Coverage	2.56	1.73	2.13	1.33	2.59
Non-Operating Expenses					
Transfers (In)/Out	1,451,480	(778,092)	1,451,480	1,318,000	1,068,000
Total Non-Operating Expenses	<u>1,451,480</u>	<u>(778,092)</u>	<u>1,451,480</u>	<u>1,318,000</u>	<u>1,068,000</u>
Net Cashflow Before Capital Expenditures	\$4,967,234	\$3,788,990	\$3,119,999	\$961,072	\$4,769,955

Source: Financial Services Division

Additional Indebtedness

The Wastewater Utility did not incur any additional indebtedness during the 2014-15 fiscal year which is payable from the system net revenues on a parity with the installment payments.

ANNUAL REPORT FOR THE LODI PUBLIC IMPROVEMENT CORPORATION AND THE LODI PUBLIC FINANCING AUTHORITY

The Lodi Public Improvement Corporation and the Lodi Public Financing Authority have Continuing Disclosure requirements associated with its 2012 Refunding Lease Revenue Bonds. The annual report includes, by reference, the audited financial statement of the City of Lodi.

The annual report also contains the following five (5) tables as required in the Certificates:

1. A table setting forth the approved budget and actual results for the most recent fiscal year.
2. A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.
3. A table showing the assessed valuations for the last five fiscal years.
4. A table showing the secured property tax collections for the past ten fiscal years.
5. A table showing the ten largest locally secured taxpayers for the last fiscal year.
6. A table showing the Employee-paid and City-paid employee portion of the retirement plan.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

***Table 1* A table setting forth the approved budget and actual results for the most recent fiscal year.**

Please refer to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 86 of this Comprehensive Annual Financial Report.

Table 2 A table showing the comparative statements of revenue, expenditures and changes in fund balance for the general fund for the past five fiscal years.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FIVE YEARS**

	2011	2012	2013	2014	2015
Revenues:					
Taxes	\$ 23,061,164	22,928,438	23,022,370	23,718,396	24,630,745
Licenses and permits	83,395	79,745	62,582	83,420	87,908
Intergovernmental revenues	10,032,523	10,449,364	10,531,871	11,319,708	12,642,107
Charges for services	1,035,220	682,156	1,105,178	1,025,851	1,482,448
Fines, forfeits and penalties	1,404,307	1,355,101	1,628,870	1,552,531	1,573,071
Investment and rental income	455,923	807,270	979,100	1,548,787	1,546,845
Miscellaneous revenue	480,028	286,125	393,299	352,331	290,951
Total revenues	<u>36,552,560</u>	<u>36,588,199</u>	<u>37,723,270</u>	<u>39,601,024</u>	<u>42,254,075</u>
Expenditures:					
Current:					
General government	6,478,159	6,007,327	5,943,192	6,482,226	6,490,907
Public protection	24,091,472	24,923,155	25,920,654	26,470,110	26,388,172
Public works	1,421,238	1,112,569	1,555,833	1,554,939	1,882,250
Library	1,357,473	1,380,972	1,410,657	1,267,850	1,311,367
Parks and recreation	2,191,102				
Debt service:					
Interest and fiscal charges	6,427				
Principal payments	141,576				
Total expenditures	<u>35,687,447</u>	<u>33,424,023</u>	<u>34,830,336</u>	<u>35,775,125</u>	<u>36,072,696</u>
Excess of revenues over expenditures	<u>865,113</u>	<u>3,164,176</u>	<u>2,892,934</u>	<u>3,825,899</u>	<u>6,181,379</u>
Other financing sources (uses):					
Transfers in	5,379,186	5,370,230	5,367,990	3,952,000	3,952,000
Transfers out	(4,383,110)	(8,391,858)	(6,584,665)	(6,269,351)	(7,128,586)
Total other financing sources (uses)	<u>996,076</u>	<u>(3,021,628)</u>	<u>(1,216,675)</u>	<u>(2,317,351)</u>	<u>(3,176,586)</u>
Net change in fund balances	1,861,189	142,548	1,676,259	1,508,548	3,004,793
Fund balances, beginning of year	4,285,216	6,146,405	6,288,953	7,965,212	9,473,760
Fund balances, end of year	<u>\$ 6,146,405</u>	<u>6,288,953</u>	<u>7,965,212</u>	<u>9,473,760</u>	<u>12,478,553</u>

Table 3 A table showing the assessed valuations for the last five fiscal years.

Please refer to the table shown in the Statistical Section on page 115.

Table 4 A table showing the secured property tax collections for the past ten fiscal years.

Please refer to the table shown in the Statistical Section on page 118.

Table 5 A table showing the ten largest locally secured taxpayers for the last fiscal year.

Please refer to the table shown in the Statistical Section on page 117.

Table 6 A table showing the Employee-paid and City-paid employee portion of the retirement plan.

**Pension Contributions
As of Fiscal Year Ended June 30, 2015**

<u>Bargaining Units</u>	<u>Employee Paid*</u>	<u>City Paid</u>	<u>Total Employee Share</u>
Council appointees	7.0%	%	7.0%
Executive management	7.0		7.0
Confidential mid-management	7.0		7.0
Confidential	7.0		7.0
Fire mid-management	9.0		9.0
Fire	9.0		9.0
Mid-management	7.0		7.0
General services	7.0		7.0
Maintenance and operators	7.0		7.0
IBEW	7.0		7.0
Police mid-management	9.0		9.0
Police	9.0		9.0
Dispatchers	7.0		7.0
*PEPRA Miscellaneous Employees	6.75		6.75
*PEPRA Safety Employees	11.25		11.25

ANNUAL REPORT FOR WATER UTILITY

The Lodi Water Utility has Continuing Disclosure requirements associated with its 2010 Series A and B Certificates of Participation. The annual report includes, by reference, the audited financial statement of the City of Lodi (including the Water Utility).

The annual report also contains the following four (4) tables as required in the Certificates:

1. A table setting forth the City's number of accounts and revenues by user type for the past five fiscal years.
2. A table showing the largest users by service charge revenues for the most recent fiscal year.
3. A table showing a schedule of selected rates effective January 1, 2015.
4. A table showing a summary of historic operating results and debt service coverage for the past five fiscal years.

Additionally, the Certificate for the 2010 Series A issue requires a description of any additional indebtedness incurred during the prior fiscal year which is payable from the system net revenues on a parity with the installment payments.

Reporting of Significant Events

The Certificates identify eleven (11) specific events that require special reporting. As of June 30, 2015, none of the specified events have occurred. Further, there is no knowledge on the part of the City Council, officers or employees of the City of any impending Significant Event that would require disclosure under the provisions of the Certificates.

Table 1 A table showing number of accounts and revenues by user type.

**CITY OF LODI
WATER SYSTEM
Number of Accounts and Revenues by User Type**

Year Ending December 31	Commercial/Industrial/ <u>Municipal</u>		<u>Residential</u>	
	Number of Accounts	Revenue	Number of Accounts	Revenue
2007	1,445	\$ 2,043,731	21,533	\$ 8,715,928
2008	1,470	2,184,496	21,449	9,429,594
2009	1,382	2,188,486	21,577	9,600,129
2010	1,383	2,097,001	21,622	9,604,412
2011	1,396	2,169,967	21,593	9,706,537
2012	1,432	2,329,957	23,399	8,411,315
2013	1,415	2,436,777	21,717	10,353,374
2014	1,435	2,534,741	21,722	10,359,235

Source: City of Lodi

Table 2 A table showing the largest users by service charge revenue for the most recent fiscal year.

**City of Lodi
Water System
Largest Users by Service Charge Revenues
Fiscal Year 2014-15**

<u>User</u>	<u>Type of Business</u>	<u>Service Charge Revenue</u>	<u>Percentage of Total Annual Service Charge Revenue</u>
Lodi Unified School District	K-12, adult education	\$ 303,546	2.39%
City of Lodi	Government	280,366	2.20
Pacific Coast Producers	Private label fruit canning	142,558	1.12
General Mills	Cereals, bread mixes, snack foods	81,600	0.64
ConAgra Foods	Specialty bakery, frozen dough	64,539	0.51
Lodi Memorial Hospital	Health care	54,230	0.43
Lodi Grape Festival	Festival Grounds	20,728	0.16
Temple Baptist Church	Church	17,848	0.14
Wine & Roses	Hotel and restaurant	13,623	0.11
Blue Shield of California	Health insurance	12,815	0.10
Subtotal Top Ten Users		\$ 991,853	7.80%
TOTAL SYSTEM		\$ 12,722,619	100.00%

Table 3 A table showing selected rates effective January 1, 2015.

**CITY OF LODI
WATER SYSTEM
Selected Rates Effective January 1, 2015**

<u>Percent Increase</u>	<u>Current</u>
<i>Flat Rates (\$/month)</i>	
Single Family Residential Unit (\$/month)	
1 Bedroom	\$31.26
2 Bedroom	\$37.55
3 Bedroom	\$45.00
<i>Metered Water Rates</i>	
Service Charge (\$/month)	
<i>Single Family Residential</i>	
Up to 3/4" Meter	\$22.58
<i>Multi-Family and Non-Residential</i>	
1" Meter	\$35.91
1 1/2" Meter	\$63.66
2" Meter	\$93.26
Water Usage rates (\$/CCF)	
<i>Single Family Residential</i>	
Tier 1 - 0 to 10 CCF/month	\$0.96
Tier 2 - 11 to 50 CCF/month	\$1.32
Tier 3 - Over 50CCF/month	\$1.68
<i>Multi-Family and Non-Residential</i>	
All Water Usage	1.08

Source: City of Lodi.

Table 4 A table showing historic operating results and debt service coverage for the past five fiscal years.

CITY OF LODI					
WATER SYSTEM					
Historical Operating results and Debt Service Coverage					
Fiscal Years 2010-11 through 2014-15					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Gross Revenues					
Water Sales ⁽¹⁾	11,940,022	12,083,226	12,441,039	12,756,076	12,722,619
Investment Earnings	83,374	119,526	67,892	118,799	87,211
Water Impact Mitigation Fees	14,803	111,429	2,529	60,000	20,299
Meter Retrofit Installation Charges	1,653,399	675,815	585,965	405,677	56,052
Other Revenues ⁽²⁾	359,979	285,093	269,335	825,314	483,710
Total Gross Revenues	<u>14,051,577</u>	<u>13,275,089</u>	<u>13,366,850</u>	<u>14,165,866</u>	<u>13,369,891</u>
Operating and Maintenance Expenses					
Personnel Services ⁽³⁾	1,359,227	1,856,131	2,272,568	2,392,611	2,316,305
Supplies, Materials and Services ⁽³⁾	2,590,222	1,781,622	2,882,547	3,014,227	2,139,014
New Treatment Plant Operations (net)					
Utilities	652,296	693,657	683,635	648,233	579,774
Administrative Overhead	1,060,122	1,060,120	1,060,120	780,000	780,000
Total O & M Expenses	<u>5,661,865</u>	<u>5,391,530</u>	<u>6,898,870</u>	<u>6,835,071</u>	<u>5,815,093</u>
Net Revenue Available for Debt Service	<u>8,389,712</u>	<u>7,883,559</u>	<u>6,467,980</u>	<u>7,330,795</u>	<u>7,554,798</u>
Debt Service					
1991 California DWR SRF loan ⁽⁴⁾	1,433,395				
2010 Bonds ⁽⁵⁾	849,968	2,304,811	2,335,360	2,355,230	2,356,141
Total Net Debt Service	<u>2,283,363</u>	<u>2,304,811</u>	<u>2,335,360</u>	<u>2,355,230</u>	<u>2,356,141</u>
Debt Service Coverage ⁽⁶⁾					
Debt Service Coverage	3.67	3.42	2.77	3.11	3.21
Debt Service Coverage (excluding impact mitigation fees)	3.67	3.37	2.77	3.09	3.20
Net Remaining Revenues Available for Capital Capital Improvement Projects	<u>6,106,349</u>	<u>5,578,748</u>	<u>4,132,620</u>	<u>4,975,565</u>	<u>5,198,657</u>
Meter Retrofit Program ⁽⁷⁾	919,555	6,325,558	6,536,687	6,891,350	4,841,932

Other Water System Improvements ⁽⁸⁾	3,666,202	540,832	1,144,363	380,675	267,902
Total Capital Improvement Projects	<u>4,585,757</u>	<u>6,866,390</u>	<u>7,681,050</u>	<u>7,272,025</u>	<u>5,109,834</u>
Net Change in Reserve	1,520,592	(1,287,639)	(3,548,520)	(2,296,460)	88,823
Water Enterprise Fund ⁽⁹⁾					
Beginning Cash Balance	14,120,605	12,807,412	12,465,350	9,044,659	7,027,567
Ending Cash Balance	12,807,412	12,465,350	9,044,659	7,027,567	6,755,522

- (1) Water sales reflect Council-adopted rate increases effective January 1, 2015.
- (2) Includes rent, sales of City property, discounts, water reimbursements, and damage to property, water tap fees, DBCP reimbursements, and other miscellaneous revenues. DBCP reimbursements are expected to decline beginning in Fiscal Year 2012-13 as new plant becomes operational and groundwater draws diminish. PCE/TCE litigation revenues are excluded from Fiscal year 2005-06 through 2009-10. Fiscal year 2009-10 reflects one-time adjustments from prior years.
- (3) PCE/TCE litigation expenses are excluded from Fiscal Year 2006-07 through Fiscal year 2010-11.
- (4) Debt service on 1991 Loan was paid off in full on October 1, 2010.
- (5) Reflects total debt service for the 2010 Water Revenue Bonds net of the 35% interest rate subsidy for the Series 2010B bonds.
- (6) Coverage calculated based on Net Revenues divided by net Debt Service and Net Revenues less mitigation fees divided by Net Debt Service.
- (7) Annual capital costs of transition to water meters. Program expected to be completed in Fiscal Year 2017-18.
- (8) Excludes costs of the Project to be funded from proceeds of the Series 2010 Bonds.
- (9) Water Enterprise Fund balance includes both operating and capital reserves and is presented on a cash basis. Cash position is expected to increase substantially upon completion of the water meter installation program.

Source: City of Lodi

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Refer to Indenture of Trust and Installment Purchase Agreement, attached as Exhibits A and B, respectively, to the draft Resolution of the Board of Directors of the Lodi Public Financing Authority Authorizing the Issuance and Sale of Refunding Wastewater Revenue Bonds to Refinance an Installment Payment Obligation of the City of Lodi, and Approving Related Documents and Official Action

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

1-29-16 Jones Hall Draft

March __, 2016

Lodi Public Financing Authority
221 West Pine Street
Lodi, CA 95240

OPINION: \$_____ Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A

Members of the Board of Directors of the Authority:

We have acted as bond counsel to the Lodi Public Financing Authority (the "Authority") in connection with the issuance by the Authority of the captioned bonds dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), the Indenture of Trust, dated as of March 1, 2016 (the "Indenture"), by and between the Authority and Union Bank, N.A., as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted February __, 2016. Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including installment payments made by the City of Lodi (the "City") under an Installment Purchase Agreement dated as of March 1, 2016 (the "Installment Purchase Agreement") between the Authority and the City.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Installment Purchase Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing general law city with the power to enter into the Installment Purchase Agreement and perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Installment Purchase Agreement has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Indenture.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our

attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

2-8-16 Jones Hall Draft

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
LODI PUBLIC FINANCING AUTHORITY
2016 REFUNDING WASTEWATER REVENUE BONDS, SERIES A

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the CITY OF LODI (the "City") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of March 1, 2016 (the "Indenture"), by and between the City and MUFG Union Bank, N.A., as trustee.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is 9 months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" means the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means J.P. Morgan, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2017, with the report for the 2015-16 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following financial information and operating data:

(i) Principal amount of Bonds outstanding as of the immediately preceding October 1.

(ii) A description of any Parity Debt incurred by the City in the most recently-completed fiscal year.

(iii) Information for the most recently-completed fiscal year in the form of Table 2 (Number of Connections by User Type).

(iv) Information for the most recently-completed fiscal year in the form of Table 3 (Largest Users by Service Charge Revenues).

(v) Information for the most recently-completed fiscal year in the form of Table 4 (Schedule of Wastewater Service Charges).

(vi) Information for the most recently-completed fiscal year in the form of Table 7 (Historical Operating Results and Debt Service Coverage).

(vii) Information for the most recently-completed fiscal year in the form of Table 9 (Historical Reserve Balances).

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver,

fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March __, 2016

CITY OF LODI

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Lodi Public Financing Authority

Name of Issue: Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A

Date of Issuance: March __, 2016

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated March __, 2016. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, acts as securities depository for the 2016 Bonds. The 2016 Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate was issued for each maturity of each series of the 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2016 Bond documents. For example, Beneficial Owners of 2016 Bonds may wish to ascertain that the nominee holding the 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the 2016 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the 2016 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2016 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the 2016 Bonds will be printed and delivered to DTC.

RESOLUTION NO. 2016-_____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
LODI PUBLIC FINANCING AUTHORITY AUTHORIZING
THE ISSUANCE AND SALE OF REFUNDING
WASTEWATER REVENUE BONDS TO REFINANCE AN
INSTALLMENT PAYMENT OBLIGATION OF THE CITY OF
LODI, AND APPROVING RELATED DOCUMENTS AND
OFFICIAL ACTIONS

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WHEREAS, the City of Lodi (the "City") owns and operates facilities and property for the collection, treatment and disposal of wastewater within the service area of the City (the "System"); and

WHEREAS, the City previously entered into an Installment Purchase Agreement, dated as of December 1, 2007 (the "2007 Installment Purchase Agreement") with the Lodi Public Improvement Corporation (the "Corporation"), pursuant to which the City agreed to make certain installment payments in the aggregate principal amount of \$30,320,000 (the "2007 Installment Payments"), and caused execution and delivery of Wastewater System Revenue Certificates of Participation, 2007 Series A (the "2007 Certificates"), pursuant to a Trust Agreement, dated as of December 1, 2007 (the "2007 Trust Agreement"), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "2007 Trustee"), all for the purpose of (i) financing the costs of certain improvements to the System (the "2007 Improvements") and (ii) refinancing, on a current basis, all outstanding installment payments under an Installment Sale Agreement, dated as of December 1, 1991, with the Corporation, and certain outstanding Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project) (the "1991 Certificates"); and

WHEREAS, the 1991 Certificates were executed and delivered to (i) finance certain capital improvements to the System (the "1991 Improvements") and (ii) prepay, on an advance basis, certain certificates of participation that were executed and delivered to finance the expansion of the City's White Slough Water Pollution Control Facility; and

WHEREAS, under current economic conditions, it is possible for the City to refinance on a tax-exempt basis the portion of the 2007 Installment Payments attributable to the financing of the 2007 Improvements and the 1991 Improvements (the "Refinanced 2007 Installment Payments") for the purpose of achieving savings for the benefit of the customers of the System, and to cause an advance prepayment of the related 2007 Certificates (the "Refunded 2007 Certificates of Participation"); and

WHEREAS, in order to provide funds to refinance the Refinanced 2007 Installment Payments and cause an advance prepayment of the Refunded 2007 Certificates, the City wishes to ask the Lodi Public Financing Authority (the "Authority") to issue its 2016 Refunding Wastewater Revenue Bonds (the "Bonds") under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, in order to provide revenues that are sufficient to pay debt service on the Bonds, the City proposes to enter into an Installment Purchase Agreement with the Authority; and

WHEREAS, the obligations of the City under the proposed Installment Purchase Agreement will be secured by a pledge of and lien on the net revenues of the System, on a parity with a pledge of and lien on the net revenues securing a 2004 installment payment obligation, the continuing obligation to pay the portion of the 2007 Installment Payments that is not being refunded and a 2012 installment payment obligation; and

WHEREAS, the Authority proposes to sell the Bonds on a negotiated basis to JP Morgan Securities LLC (the "Underwriter"); and

WHEREAS, the Board of Directors of the Authority wishes at this time to take action approving such financing transactions and all related documents and actions;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Lodi Public Financing Authority as follows:

Section 1. Approval of Refinancing Plan; Authorization of Bonds. The Board of Directors hereby approves the refinancing plan described in the recitals of this Resolution. To that end, the Board of Directors hereby authorizes the issuance of the Bonds under the Bond Law in the aggregate principal amount of not to exceed \$23,100,000.

Section 2. Approval of Related Financing Agreements. The Board of Directors hereby approves each of the following agreements required to implement the financing plan to be accomplished by the Bonds, in substantially the respective forms attached hereto together with any changes therein or additions thereto deemed advisable by the Chair, the Executive Director, the Treasurer or the General Counsel (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions.

- (a) Indenture of Trust between the Authority and MUFG Union Bank, N.A., as trustee, prescribing the terms and conditions upon which the Bonds will be issued. The form of the Indenture of Trust is attached to this Resolution as Exhibit A.
- (b) Installment Purchase Agreement between the Authority and the City, under which the City agrees to make semiannual installment payments. The form of the Installment Purchase Agreement is attached to this Resolution as Exhibit B.
- (c) Bond Purchase Agreement among the Authority, the City and the Underwriter, under which the Underwriter agrees to purchase the Bonds from the Authority. The form of the Bond Purchase Agreement is attached to this Resolution as Exhibit C.

An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest the final form of each of the foregoing agreements, and such execution shall be conclusive evidence of the approval of the final form thereof.

Section 3. Sale of Bonds. The Board of Directors hereby approves the negotiated sale of the Bonds to the Underwriter. The Bonds shall be sold upon the terms and conditions set forth in the Bond Purchase Agreement that is approved under Section 2. The Bonds shall be sold at such price and shall bear interest at such rates as shall produce a minimum net present value savings to the City of at least 5% of the principal component of the Refinanced 2007 Installment Payments, as such savings

shall be verified and conclusively determined by the City's financial advisor (the "Minimum Savings Requirement"). The Underwriter's discount shall not exceed 1.0%. The final form of the Bond Purchase Agreement shall be executed in the name and on behalf of the Authority by an Authorized Officer.

Section 4. Official Statement. The Board of Directors hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Bonds in the form on file with the Secretary, together with such modifications thereof as may be approved by an Authorized Officer. An Authorized Officer is hereby authorized and directed to (a) execute and deliver to the purchaser of the Bonds a certificate deeming the Preliminary Official Statement to be nearly final as of its date within the meaning of such Rule, (b) approve any changes in or additions to cause the Official Statement to be put in final form, and (c) execute the Final Official Statement for and in the name and on behalf of the Authority. The Board of Directors hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement by the Underwriter.

Section 5. Official Actions. The Authorized Officers, the Secretary and all other officers of the Authority are each authorized and directed in the name and on behalf of the Authority to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution, including any documentation relating to municipal bond insurance if an Authorized Officer concludes, after consultation with the Authority's bond counsel, the Authority's financial advisor and the Underwriter, that it would be cost-effective to purchase such insurance. Whenever in this Resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 6. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

Dated: February 17, 2016

=====
I hereby certify that Resolution No. 2016-____ was passed and adopted by the Board of Directors of the Lodi Public Financing Authority in a regular/special joint meeting held February ____, 2016, by the following vote:

- AYES: BOARD MEMBERS –
NOES: BOARD MEMBERS –
ABSENT: BOARD MEMBERS –
ABSTAIN: BOARD MEMBERS –

JENNIFER M. FERRAILOLO
Secretary
2016-____

EXHIBIT A
FORM OF INDENTURE OF TRUST

INDENTURE OF TRUST

Dated as of March 1, 2016

between

MUFG UNION BANK, N.A.,
as Trustee

and the

LODI PUBLIC FINANCING AUTHORITY

Authorizing the Issuance of

Lodi Public Financing Authority
2016 Refunding Wastewater Revenue Bonds,
Series A

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APPENDIX A	DEFINITIONS
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INDENTURE OF TRUST

This INDENTURE OF TRUST (this "**Indenture**"), dated for convenience as of March 1, 2016, is between the LODI PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "**Authority**"), and MUFG UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the "**Trustee**").

BACKGROUND:

1. The City owns and operates a public enterprise for the collection, treatment and disposal of wastewater within the service area of the City (as defined more completely below, the "**System**").

2. The City previously entered into an Installment Purchase Agreement, dated as of December 1, 2007 (the "**2007 Installment Purchase Agreement**") with the Lodi Public Improvement Corporation (the "**Corporation**"), pursuant to which the City agreed to make certain installment payments in the aggregate principal amount of \$30,320,000 (the "**2007 Installment Payments**"), and caused execution and delivery of Wastewater System Revenue Certificates of Participation, 2007 Series A (the "**2007 Certificates**"), pursuant to a Trust Agreement, dated as of December 1, 2007 (the "**2007 Trust Agreement**"), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**2007 Trustee**"), all for the purpose of (i) financing the costs of certain improvements to the System (the "**2007 Project**") and (ii) refinancing, on a current basis, all outstanding installment payments under an Installment Sale Agreement, dated as of December 1, 1991, with the Corporation, and certain outstanding Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project) (the "**1991 Certificates**").

3. The 1991 Certificates were executed and delivered to (i) finance certain capital improvements to the System (the "**1991 Improvements**") and (ii) prepay, on an advance basis, certain certificates of participation that were executed and delivered to finance the expansion of the City's White Slough Water Pollution Control Facility (the "**White Slough Certificates**").

4. Under current economic conditions, it is possible for the City to refinance on a tax-exempt basis the portion of the 2007 Installment Payments attributable to the financing of the 2007 Project and the 1991 Improvements (the "**Refinanced 2007 Installment Payments**") for the purpose of achieving savings for the benefit of the customers of the System, and to cause an advance prepayment of the related 2007 Certificates (the "**Refunded 2007 Certificates of Participation**"). The Refinanced 2007 Installment Payments and the Refunded 2007 Certificates are the portion of the 2007 Installment Payments and the 2007 Certificates, respectively, that are attributable to the financing of the 2007 Project and the 1991 Improvements. The City is not refinancing the portion of the 2007 Installment Payments and the 2007 Certificates that are attributable to the White Slough Certificates.

5. The Authority has been formed for the purpose of assisting the City in the financing and refinancing of public capital improvements, and in order to accomplish the refinancing described in the previous paragraph, the Authority and the City have entered into an Installment Purchase Agreement dated as of March 1, 2016 (the "**Installment Purchase Agreement**"), under which the City will sell the 2007 Project to the Authority and the Authority will sell the 2007 Project to the City in consideration of the agreement by the City to pay the purchase price thereof in semiannual installment payments, in each case subject to the continuing obligation of the City under the 2007 Installment Purchase Agreement.

6. For the purpose of obtaining funds to refinance the Refinanced 2007 Installment Payments, the Authority has authorized the issuance of its Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A in the aggregate principal amount of _____ (the "**Bonds**") under this Indenture and under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "**Bond Law**").

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in that Appendix when used in this Indenture. Capitalized terms in this Indenture and not otherwise defined in this Section 1.01 have the respective meanings given them in Section 1.1 of the Installment Purchase Agreement.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of a series of Bonds, designated the "Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A" in the aggregate principal amount of _____ under the Bond Law for the purposes of providing funds to refinance the Refinanced 2007 Installment Payments.

The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law.

SECTION 2.02. *Terms of the Bonds.*

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on October 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
<u>(October 1)</u>	<u>Amount</u>	<u>Rate</u>

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds

at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section 2.03. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.03, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.04. *Book-Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository

System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever

name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chair of the Authority shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.07. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of the Bonds.* At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Bonds to the Original Purchaser.

SECTION 3.02. *Application of Proceeds of Sale of the Bonds.* Upon the receipt of payment for the Bonds on the Closing Date, in the amount of \$_____, representing the aggregate principal amount (_____), plus a net original issue premium of \$_____, less an underwriter's discount of \$_____, the Trustee shall apply the proceeds of sale thereof as follows:

- (a) The Trustee will deposit the amount of \$_____ in the Costs of Issuance Fund.
- (b) The Trustee will transfer the amount of \$_____, constituting the remainder of such proceeds, to the 2007 Trustee for deposit into the Escrow Fund established under the Escrow Agreement.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02. The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the Bonds upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. The Trustee may conclusively rely on the representations and certifications set forth in such Written Requisitions and shall be fully protected in relying thereon. All such payments shall be made by check or wire transfer in accordance with payment instructions contained in the Written Requisition or in any invoice attached thereto, and the Trustee has no duty or obligation to authenticate such payment instructions or the authorization thereof. On May 1, 2016, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Interest Account, and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Validity of Bonds.* The recital contained in the Bonds that the same are issued under the Constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. *Terms of Redemption.*

(a) Optional Redemption. The Bonds maturing on or before October 1, 2026, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after October 1, 2027, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and within a maturity as set forth in Section 4.02, at the option of the Authority, on any date on or after October 1, 2026, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

(b) Notice of Optional Redemption to the Trustee. The Authority shall give the Trustee written notice of its intention to redeem Bonds under subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

(c) Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on October 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund

payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Bonds Maturing October 1, _____

Sinking Fund Redemption Date (<u>October 1</u>)	<u>Principal Amount To Be Redeemed</u>
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SECTION 4.02. *Selection of Bonds for Redemption.* Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee shall select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.03. *Notice of Redemption; Rescission.* The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of the redemption of Bonds under Section 4.01(a) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee

shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

SECTION 4.04. *Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.05. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

ARTICLE V

AUTHORITY REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. *Security for the Bonds; Bond Fund.*

(a) Pledge of Authority Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Authority Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Authority Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. The Authority hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Installment Purchase Agreement (excepting only the Authority's rights under Sections 4.8, 5.2 and 6.4 thereof), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments. The Trustee is entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or

received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Installment Purchase Agreement.

(c) Deposit of Authority Revenues in Bond Fund. All Authority Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Installment Purchase Agreement to be deposited in the Redemption Fund shall be promptly deposited in such funds. All Authority Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Authority Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.
- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date.

SECTION 5.03. *Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. *Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, and the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.01(c).

SECTION 5.05. *Reserved.*

SECTION 5.06. *Application of Redemption Fund.* Upon the determination by the Authority to redeem any Bonds under Section 4.01(a), the Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the

Authority Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Section 4.01(a). At any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee is entitled to conclusively rely on any Written Request of the Authority received under this Section 5.06, and is fully protected in relying thereon.

SECTION 5.07. *Investments.* Except as otherwise set forth in this Indenture, moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments designated in paragraph (c) of the definition, provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received directions from the Authority specifying a specific money market fund and, if no such directions from the Authority is so received, the Trustee shall hold such moneys uninvested. The Trustee shall notify the Authority in writing within five business days if it is holding any moneys uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be retained in such fund or account. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section 5.07.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's Online Trust and Custody service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee

as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 5.08. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code; provided that the Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except as provided in the preceding subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before September 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section 5.09, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Authority Revenues and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Authority Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Authority Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Authority Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Authority Revenues.

SECTION 6.07. *Tax Covenants.*

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of Excess Investment Earnings which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Authority shall pay when due an amount equal to Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any amounts provided by the City for that purpose under Section 4.8(e) of the Installment Purchase Agreement. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

SECTION 6.08. *Reserved.*

SECTION 6.09. *Waiver of Laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance

of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Installment Purchase Agreement.

SECTION 7.02. *Remedies Upon Event of Default.*

(a) Only as long as Section 6.2(a) is an available remedy under the Installment Purchase Agreement, if any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to Trustee against the costs, expenses and liabilities to be incurred in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding .

- (b) The Trustee may, subject to the receipt of indemnity as provided herein:

(i) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the Authority, or any board member, officer or employee thereof, and compel the Authority or any such board member, officer or employee to perform and carry out its or his or her duties under applicable law and the agreements and covenants contained herein required to be performed by it or him;

(ii) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee or the owners of the Bonds hereunder;

(iii) intervene in judicial proceedings that affect the Bonds or the security therefor or hereunder; or

(iv) by suit in equity upon the happening of an Event of Default require the Authority and its officers and employees to account as the trustee of an express trust.

(c) Except with respect to an Event of Default under Section 7.01(d) above, if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. *Application of Authority Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Authority Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys) incurred in and about the performance of its powers and duties under this Indenture;
- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of

such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Purchase Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of

any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Purchase Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. *Absolute Obligation of Authority.* Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Authority Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to Bond Owners of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. *Appointment of Trustee.* MUFG Union Bank, N.A., is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any such removal shall be made upon at least 30 days' prior written notice to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (c), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee

appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) Notwithstanding any other provision of this Indenture, the Trustee may be removed at any time for any breach of the trust set forth herein.

SECTION 8.03. *Merger or Consolidation.* Any national banking association, bank, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any national banking association, bank, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any national banking association, bank, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such national banking association, bank, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Installment Purchase Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it hereunder.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Installment Purchase Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Installment Purchase Agreement, other than the covenants of the City to make Installment Payments to the Trustee when

due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights to the Trustee hereunder.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Purchase Agreement or this Indenture for the existence, furnishing or use of the Project.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail (provided, that for purposes of this Agreement, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder), facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a

similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority and the City agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Installment Purchase Agreement. As security for the performance of the obligations of the Authority under this Section 8.07, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Installment Purchase Agreement.

ARTICLE IX

MODIFICATION OR AMENDMENT HEREOF

SECTION 9.01. *Amendments Permitted.*

(a) Amendments With Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Authority Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Authority Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of

1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; and

- (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxes.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

SECTION 9.02. *Effect of Supplemental Indenture*. Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. *Endorsement of Bonds; Preparation of New Bonds*. Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

SECTION 9.04. *Amendment of Particular Bonds.* The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

SECTION 10.01. *Discharge of Indenture.* Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Authority Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it under this Indenture which are not required for the payment of any of such Bonds not theretofore surrendered for such payment. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited

with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

Notwithstanding anything to the contrary in this Article X, in the event of defeasance of all Outstanding Bonds, such defeasance will not operate to discharge any of the following:

- (a) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (b) the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the Authority to compensate and indemnify the Trustee under Section 8.07.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds,

and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. *Liability of Authority Limited to Authority Revenues .* Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Authority Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners.* Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts.* Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in

accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice.* Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds.* Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee shall destroy such Bonds as may be allowed by law and deliver a certificate of such destruction to the Authority.

SECTION 11.06. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. *Notices.* All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, confirmed by telephone, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Authority
or the City:*

City of Lodi
P.O. Box 3006
Lodi, California 95241-1910
Attention: Deputy City Manager/
Internal Services Director
Fax: 209-333-6807

If to the Trustee:

MUFG Union Bank, N.A.
350 California St., 11th Floor
San Francisco, California 94104
Attention: Corporate Trust Department

SECTION 11.08. *Evidence of Rights of Bond Owners.* Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority and the City shall specify to the Trustee those Bonds disqualified under this Section 11.09 and the Trustee may conclusively rely upon such certificate.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in

part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the LODI PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and MUFG UNION BANK, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

LODI PUBLIC FINANCING AUTHORITY

By _____
Executive Director

Attest:

Secretary

MUFG UNION BANK, N.A., as Trustee

By _____
Authorized Officer

APPENDIX A

DEFINITIONS

“Authority” means the Lodi Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

“Authority Revenues” means: (a) all of the Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

“Authorized Representative” means: (a) with respect to the Authority, its Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Executive Director, General Counsel or Treasurer and filed with the City and the Trustee; and (b) with respect to the City, its City Manager, Deputy City Manager/Internal Services Director, City Attorney or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its City Manager or Deputy City Manager/Internal Services Director and filed with the Authority and the Trustee.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City or the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Year” means each twelve-month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including October 1, 2016.

“Bonds” means the _____ aggregate principal amount of Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A authorized by and at any time Outstanding under this Indenture.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

"City" means the City of Lodi, a municipal corporation organized and existing under the laws of the State of California.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agreement" means the Escrow Deposit and Trust Agreement, dated as of March 1, 2016, by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow bank.

"Event of Default" means any of the events specified in Section 7.01.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period.

"Fitch" means Fitch Ratings and its successors and assigns

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

"Interest Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Installment Purchase Agreement" means the Installment Purchase Agreement dated as of March 1, 2016, between the City and the Authority, together with any duly authorized and executed amendments thereto.

"Installment Payments" means all payments required to be paid by the City on any date under Section 4.4 of the Installment Purchase Agreement, including any amounts payable upon delinquent installments and including any prepayment thereof under Sections 7.2 of the Installment Purchase Agreement.

"Interest Payment Date" means each April 1 and October 1, commencing April 1, 2016, so long as any Bonds remain unpaid.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

"Office" means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of this Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporation trust agency business is conducted.

"Original Purchaser" means JP Morgan Securities LLC , as the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding", when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

"Owner", whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Investments" means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely conclusively upon any such determination by the Authority):

- (a) Federal Securities.
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any federal agencies whose obligations are backed by the full faith and credit of the United States of America.

- (c) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and which are rated in the highest short-term rating category by S&P (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (d) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated A or better by S&P, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.
- (e) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation or secured at all times by collateral described in (a) or (b) above.
- (f) Investment agreements with a financial institution the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor or the institution is rated AA or better from S&P, by the terms of which the Trustee is permitted to withdraw the invested funds if the rating from S&P falls below AA.
- (g) A repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars (\$100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement has a term of no more than thirty (30) days and is secured by any one or more of the securities and obligations described in clauses (a) or (b) above, which shall have a market value (inclusive of accrued interest and valued at least weekly) equal to one hundred four percent (104%) of the amount of cash transferred by the Trustee to the bank, trust company, national banking association or bond dealer and at a level such that such repurchase agreement shall have a rating that is equal to or greater than the rating on the Bonds; such securities shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an

amount equal to such required level and the Trustee shall be entitled to rely on each such undertaking.

- (h) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority designates in written notice filed with the Trustee.

“S&P” means Standard & Poor’s, a division of the McGraw Hill Companies, of New York, New York, its successors and assigns.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term” means, when used with respect to the Installment Purchase Agreement, the time during which the Installment Purchase Agreement is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means the Bonds maturing on October 1, _____.

“Trustee” means MUFG Union Bank, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a

single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

APPENDIX B

BOND FORM

NO. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

**LODI PUBLIC FINANCING AUTHORITY
2016 REFUNDING WASTEWATER REVENUE BOND,
SERIES A**

INTEREST RATE: _____% MATURITY DATE: October 1, _____ ORIGINAL ISSUE DATE: March 1, 2016 CUSIP: 540255__

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ ***

SPECIMEN

The LODI PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before March 15, 2016, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on April 1 and October 1 in each year, commencing April 1, 2016 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof is payable upon presentation and surrender hereof at the corporate trust office of MUFG UNION BANK, N.A., as trustee (the "Trustee"), in San Francisco, California, or such other place as designated by the Trustee (the "Trust

Office"). Interest hereon is payable by check of the Trustee mailed on the applicable Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Lodi (the "City"), the County of San Joaquin, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Authority Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A (the "Bonds"), in an aggregate principal amount of _____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), and under an Indenture of Trust dated as of March 1, 2016, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on February __, 2016, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the security for the Bonds, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds maturing on or before October 1, 2026, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after October 1, 2027, are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and within a maturity as set forth in the Indenture, at the option of the Authority, on any date on or after October 1, 2026, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Bonds maturing on October 1, 20___, are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on October 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of the Term Bonds have been redeemed under the optional redemption provisions of the Indenture, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Bonds Maturing October 1, _____

Sinking Fund
Redemption Date
(October 1)

Principal Amount
To Be Redeemed

The Bonds have been issued by the Authority to refinance an installment payment obligation incurred by the City to finance improvements to the wastewater collection, treatment and disposal system of the City (the "Wastewater System"). The Bonds are special obligations of the Authority which are payable from and secured by a charge and lien on the Authority Revenues as defined in the Indenture, consisting principally of installment payments made by the City under an Installment Purchase Agreement dated as of March 1, 2016, between the Authority and the City (the "Installment Purchase Agreement"). As and to the extent set forth in the Indenture, all of the Authority Revenues are exclusively and irrevocably pledged in accordance with the terms of the Indenture to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Series A Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the Authority or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON

IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond is not entitled to any benefit under the Indenture or valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been manually signed by the Trustee.

IN WITNESS WHEREOF, the Lodi Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

LODI PUBLIC FINANCING AUTHORITY

By: _____
Chair

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

MUFG UNION BANK, N.A., as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby _____ irrevocably _____ constitute(s) _____ and _____ appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

FORM OF INSTALLMENT PURCHASE AGREEMENT

INSTALLMENT PURCHASE AGREEMENT

Dated as of March 1, 2016

between the

LODI PUBLIC FINANCING AUTHORITY,
as Seller

and the

CITY OF LODI,
as Purchaser

Relating to

Lodi Public Financing Authority
2016 Refunding Wastewater Revenue Bonds,
Series A

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT (this "**Agreement**"), dated as of March 1, 2016, is between the LODI PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "**Authority**"), as seller, and the CITY OF LODI, a municipal corporation duly organized and existing under the laws of the State of California (the "**City**"), as purchaser.

BACKGROUND:

1. The City owns and operates a public enterprise for the collection, treatment and disposal of wastewater within the service area of the City (as defined more completely below, the "**System**").

2. The City previously entered into an Installment Purchase Agreement, dated as of May 1, 2004 (the "**2004 Installment Purchase Agreement**") with the Lodi Public Improvement Corporation (the "**Corporation**"), pursuant to which the City agreed to make certain installment payments in the aggregate principal amount of \$27,360,000 (the "**2004 Installment Payments**") and caused execution and delivery of Wastewater System Revenue Certificates of Participation, 2004 Series A (the "**2004 Certificates**"), pursuant to a Trust Agreement, dated as of May 1, 2004 (the "**2004 Trust Agreement**"), between the Corporation and MUFJ Union Bank, N.A., as successor trustee (the "**2004 Trustee**"), all for the purpose of financing certain additions, betterments, extensions, replacements and improvements to the System (the "**2004 Project**").

3. The City previously entered into an Installment Purchase Agreement, dated as of December 1, 2007 (the "**2007 Installment Purchase Agreement**") with the Corporation, pursuant to which the City agreed to make certain installment payments in the aggregate principal amount of \$30,320,000 (the "**2007 Installment Payments**") and caused execution and delivery of Wastewater System Revenue Certificates of Participation, 2007 Series A (the "**2007 Certificates**"), pursuant to a Trust Agreement, dated as of December 1, 2007 (the "**2007 Trust Agreement**"), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee, all for the purpose of (i) financing certain additions, betterments, extensions, replacements and improvements to the System (the "**2007 Project**") and (ii) prepaying on a current basis all outstanding installment payments under an Installment Purchase Agreement, dated as of December 1, 1991, and certain outstanding Certificates of Participation (1991 Wastewater Treatment Plant Expansion Refunding Project) (the "**1991 Certificates**").

4. The 1991 Certificates were executed and delivered to (i) finance certain capital improvements to the Wastewater System (the "**1991 Project**") and (ii) prepay, on an advance basis, certain certificates of participation that were executed and delivered to finance the expansion of the City's White Slough Water Pollution Control Facility (the "**White Slough Certificates**").

5. The City wishes to refinance a portion of the 2007 Installment Payments (the "**Refinanced 2007 Installment Payments**") and corresponding maturities of the outstanding 2007 Certificates (the "**Refunded 2007 Certificates**"). The Refinanced 2007 Installment Payments and the Refunded 2007 Certificates are the portion of the

2007 Installment Payments and the 2007 Certificates, respectively, that are attributable to the financing of the 2007 Project and the 1991 Project. The City is not refinancing the portion of the 2007 Installment Payments and the 2007 Certificates that are attributable to the White Slough Certificates.

6. The Authority has been formed for the purpose of assisting the City in the financing and refinancing of public capital improvements, and in order to accomplish the refunding plan described in the previous paragraph, the Authority has proposed to enter into this Agreement with the City.

7. Pursuant to Section 7.1 of the 2007 Installment Purchase Agreement, the City has the right to prepay all or a portion of the 2007 Installment Payments on any date, provided that any prepayment of a principal component of the 2007 Installment Payments to be applied to the prepayment or defeasance of the 2007 Certificates must be in an amount sufficient to provide for the prepayment or defeasance of the 2007 Certificates in Authorized Denominations (as defined in the 2007 Trust Agreement) and must be otherwise in accordance with the provisions of the 2007 Trust Agreement.

8. Under Section 9.1 of the 2007 Installment Purchase Agreement, the Refinanced 2007 Installment Payments will be deemed paid and all obligations of the City with respect to the Refinanced 2007 Installment Payments will cease and terminate (except for the obligation to make payment from deposited funds and Defeasance Securities (as defined in the 2007 Trust Agreement) as provided in Article IX of the 2007 Trust Agreement) when the Refunded 2007 Certificates have been paid or deemed paid in accordance with Article IX of the 2007 Trust Agreement.

9. The 2007 Certificates maturing on and after October 1, 2018, are subject to prepayment, in whole or in part, on October 1, 2017, at a prepayment price equal to the principal amount of the 2007 Certificates plus unpaid accrued interest to the prepayment date, without premium.

10. Under Article IX of the 2007 Trust Agreement, the obligations of the Corporation, the Trustee and the City with respect to the Refunded 2007 Certificates will cease and terminate when cash and/or Defeasance Securities have been deposited with the 2007 Trustee in an amount sufficient to pay the Refunded 2007 Certificates when they become due, whether at maturity or earlier prepayment.

11. The City wishes at this time to make such deposit of funds for the purpose of paying and prepaying the Refinanced 2007 Installment Payments and thereby discharging its obligations under the 2007 Installment Purchase Agreement with respect to the Refinanced 2007 Installment Payments.

12. The City and the Authority previously refinanced a portion of the 2004 Installment Payments and the 2004 Certificates pursuant to an Installment Purchase Agreement, dated as of September 1, 2012 (the "**2012 Installment Purchase Agreement**") and the Authority's Lodi Public Financing Authority 2012 Refunding Wastewater Revenue Bonds, Series A (the "**2012 Bonds**") under an Indenture of Trust, dated as of September 1, 2012, by and between the Authority and MUFG Union Bank, N.A.

13. The Authority will raise funds for the payment and prepayment of the Refinanced 2007 Installment Payments and, as a result, the defeasance and

prepayment of the Refunded 2007 Certificates, by issuing its Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A in the aggregate principal amount of _____ (the "**Bonds**") under an Indenture of Trust dated as of March 1, 2016 (the "**Indenture**"), between the Authority and MUFG Union Bank, N.A., as trustee (the "**Trustee**"), which are payable from revenues consisting primarily of installment payments payable by the City hereunder.

14. In order to provide revenues which are sufficient to pay the principal of and interest on the Bonds when due, the Authority and the City wish to enter into this Agreement under which the Authority agrees to sell the 2007 Project to the City (subject to the City's continuing obligation under the 2007 Installment Purchase Agreement), in consideration of which the City agrees to pay the Installment Payments (the "**Installment Payments**") which are secured by a pledge of and lien on the System Net Revenues of the System.

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the City and the Authority formally agree as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement have the respective meanings given such terms in this Section 1.1. Capitalized terms used in this Agreement and not otherwise defined in this Section 1.1 have the respective meanings given them in Appendix A to the Indenture.

"Additional Payments" means the amounts payable by the City under Section 4.8.

"Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest accruing on all Parity Debt during such Fiscal Year, assuming that all such Parity Debt is retired as scheduled, plus (2) the principal amount (including principal due as sinking fund installment payments) allocable to all Parity Debt in such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, the immediately preceding payment date for such principal or, with respect to the initial principal payment date for such Parity Debt, the date of delivery of such Parity Debt (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any principal payment date), as the case may be, to the next succeeding payment date for principal, provided, that the following adjustments shall be made to the foregoing amounts in the calculation of Annual Debt Service:

(A) with respect to any Parity Debt bearing or comprising interest at other than a fixed interest rate, the rate of interest used to calculate Annual Debt Service shall be (i) with respect to such Parity Debt then outstanding, one hundred ten per cent (110%) of the greater of (1) the daily average interest rate on such Parity Debt during

the twelve (12) calendar months next preceding the date of such calculation (or the portion of such twelve (12) calendar months that such Parity Debt has borne interest) or (2) the most recent effective interest rate on such Parity Debt prior to the date of such calculation or (ii) with respect to Parity Debt then proposed to be issued, the then current Municipal Market Data General Obligation Yield for a maturity comparable to the maturity of the applicable Parity Debt as published in The Bond Buyer (or if The Bond Buyer or such yield is no longer published, such other published similar index as shall be selected by the City);

(B) with respect to any issue or series of Parity Debt having twenty-five per cent (25%) or more of the aggregate principal amount thereof due in any one Fiscal Year, Annual Debt Service shall be calculated as if the interest on and principal of the Parity Debt of such issue or series were being paid in substantially equal annual amounts over the term of such Parity Debt; provided, however that the full amount of scheduled payments of interest and principal of such Parity Debt shall be included in Annual Debt Service if the date of calculation is within 24 months of the date on which such twenty-five percent (25%) or more of aggregate principal amount becomes due;

(C) with respect to any Parity Debt or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Debt or portions thereof, such accreted discount shall be treated as due when scheduled to be paid;

(D) Annual Debt Service shall not include interest on Parity Debt which is to be paid from amounts constituting capitalized interest;

(E) if an interest rate swap agreement is in effect with respect to, and is payable on a parity with, any Parity Debt, no amounts payable under such interest rate swap agreement in addition to debt service payable with respect to such Parity Debt shall be included in the calculation of Annual Debt Service unless, in the applicable Fiscal Year, the sum of (i) the interest payable on such Parity Debt, plus (ii) the amounts payable by the City under such interest rate swap agreement, less (iii) the amounts receivable by the City under such interest rate swap agreement, is greater than the interest payable on such Parity Debt, in which case the net amount of payments to be made by the City under such interest rate swap agreement that exceed the interest to be paid on such Parity Debt shall be included in such calculation, and for this purpose, the variable amount under any such interest rate swap agreement shall be determined in accordance with the procedure set forth in subparagraph (A) of this definition; and

(F) Repayment Obligations payable on a parity with Parity Debt shall be deemed to be payable at the scheduled amount due under such Repayment Obligation and for this purpose, the variable interest amount included in any such Repayment Obligation shall be determined in accordance with the procedure set forth in subparagraph (A) of this definition.

"Certificate of the City" means an instrument in writing signed by the Mayor, the City Manager, the Deputy City Manager/Internal Services Director, or the City Attorney of the City, or by any other officer of the City duly authorized by the City for that purpose, such authorization to be evidenced by a certificate verifying the specimen signatures of such officers at the request of the Trustee.

"City Administrative Costs" means those costs and expenses of the City that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds not maintained from System Revenues).

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate which is executed and delivered by the City on the Closing Date.

"Corporation" means the Lodi Public Improvement Corporation.

"Event of Default" means any of the events specified in Section 6.1.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Installment Payment Date" means, with respect to any Interest Payment Date, the Business Day immediately preceding such Interest Payment Date.

"Installment Payments" means the payments the City is required to pay pursuant to Section 4.4(a) as the purchase price of the 2007 Project.

"Maximum Annual Debt Service" means, as of any date of calculation, the largest Annual Debt Service during the period from the date of such calculation through the final maturity date of all Parity Debt.

"Net Proceeds" means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

"Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the System in good repair and working order, including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any Supplemental Agreement or of any resolution authorizing the execution of any Parity Obligations, such as compensation, reimbursement and indemnification of the Trustee and the Authority, fees and expenses of Independent Certified Public Accountants and deposits to the Rebate Fund; but excluding in all cases

(i) payment of Parity Debt and Subordinate Obligations, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles are chargeable to a capital account, (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, (iv) City Administrative Costs, and (v) transfers from the System Revenue Fund to other funds or accounts of the City.

"Overdue Rate" means the highest rate of interest on any of the Outstanding Bonds.

"Parity Debt" means the Installment Payments and any Parity Obligations.

"Parity Obligation Payments" means the payments scheduled to be paid by the City under and pursuant to the Parity Obligations, which payments are secured by a pledge of System Net Revenues on a parity with the Installment Payments.

"Parity Obligations" means all obligations of the City authorized and executed by the City, other than the Installment Payments, the Parity Obligation Payments under which are secured by a pledge of the System Net Revenues on a parity with the Installment Payments, including but not limited to any Repayment Obligations secured by System Net Revenues on a parity with the Installment Payments. On the date of issuance of the Bonds, Parity Obligations consist of the 2004 Installment Payments, the Remaining 2007 Installment Payments and the 2012 Installment Payments.

"Rate Stabilization Fund" means any fund established and held by the City as a fund for the stabilization of rates and charges imposed by the City with respect to the System, which fund is established, held and maintained in accordance with Section 4.6.

"Refinanced 2007 Installment Payments" means the 2007 Installment Payments that are refinanced with proceeds of the Bonds, which correspond to the Refunded 2007 Certificates.

"Refunded 2007 Certificates" means all of the outstanding 2007 Certificates except the 2007 Certificates maturing on _____.

"Remaining 2007 Installment Payments" means _____.

"Repayment Obligation" means the reimbursement obligation or any other payment obligation of the City under a written agreement between the City and a credit provider to reimburse the credit provider for amounts paid pursuant to a credit facility for the payment of the principal amount or purchase price of and/or interest on any Parity Debt.

"Subordinate Obligations" means the obligations of the City that are payable from System Net Revenues on a basis that is subordinate to the payment of Parity Debt.

"System" means the whole and each and every part of the system of the City for the collection, treatment and disposal of wastewater, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such system or any part thereof hereafter acquired or constructed.

"System Net Revenues" means for any period System Revenues less Operation and Maintenance Costs for such period; provided that certain adjustments in the amount of System Net Revenue for a Fiscal Year may be made in connection with amounts deposited in and transferred from the Rate Stabilization Fund as provided in Section 4.6 of the Agreement.

"System Revenue Fund" means the fund established and held by the City pursuant to Section 4.5 of this Agreement.

"System Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees (including connection fees), rates, charges and all amounts paid under any contracts received by or owed to the City in connection with the operation of the System and all proceeds of insurance relating to the System and investment income allocable to the System and all other income and revenue howsoever derived by the City from the ownership or operation of the System or arising from the System. System Revenues for any Fiscal Year shall include, for the purposes permitted by the Agreement, amounts transferred to the System Revenue Fund from the Rate Stabilization Fund during such Fiscal Year.

"2004 Certificates" means the Wastewater System Revenue Certificates of Participation, 2004 Series A.

"2004 Installment Payments" means the installment payments made by the City under the 2004 Installment Purchase Agreement.

"2004 Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of May 1, 2004, between the Corporation and the City.

"2004 Trust Agreement" means the Trust Agreement, dated as of May 1, 2004, between the Corporation and the 2004 Trustee.

"2004 Trustee" means MUFG Union Bank, N.A., as successor trustee.

"2007 Certificates" means the Wastewater System Revenue Certificates of Participation, 2007 Series A.

"2007 Installment Payments" means the installment payments made by the City under the 2007 Installment Purchase Agreement.

"2007 Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of December 1, 2007, between the Corporation and the City.

"2007 Trust Agreement" means the Trust Agreement, dated as of December 1, 2007, between the Corporation and the 2007 Trustee.

"2007 Trustee" means The Bank of New York Mellon Trust Company, N.A.

"2012 Certificates" means the Lodi Public Financing Authority 2012 Refunding Wastewater Revenue Bonds, Series A.

"2012 Installment Payments" means the installment payments made by the City under the 2012 Installment Purchase Agreement.

"2012 Installment Purchase Agreement" means the Installment Purchase Agreement, dated as of September 1, 2012, between the Authority and the City.

"2012 Indenture of Trust" means the Indenture of Trust, dated as of September 1, 2012, between the Authority and the 2012 Trustee.

"2012 Trustee" means MUFG Union Bank, N.A.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of the City.* The City represents, covenants and warrants to the Authority as follows:

- (a) Due Organization and Existence. The City is a municipal corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the City Council of the City has duly authorized the execution and delivery of this Agreement.
- (b) Due Execution. The representatives of the City executing this Agreement are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement has been duly authorized, executed and delivered by the City and constitutes the legal, valid and binding agreement of the City

enforceable against the City in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

- (d) No Conflicts. The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, properties or operations of the City, including but not limited to the performance of the City's obligations under this Agreement.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under this Agreement.

- (g) Prior Indebtedness. Upon issuance of the Bonds, the City will remain obligated to make the 2004 Installment Payments, the Remaining 2007 Installment Payments and the 2012 Installment Payments on a parity with the Installment Payments.

SECTION 2.2. *Representations, Covenants and Warranties of Authority.* The Authority represents, covenants and warrants to the City as follows:

- (a) Due Organization and Existence. The Authority is a joint exercise of powers authority organized and existing under the laws of the State of California, and has power to enter into this Agreement and the Indenture and to perform the duties and obligations imposed on it hereunder and thereunder. The Board of Directors of the Authority has duly authorized the execution and delivery of this Agreement and the Indenture.
- (b) Due Execution. The representatives of the Authority executing this Agreement and the Indenture are fully authorized to execute the same.
- (c) Valid, Binding and Enforceable Obligations. This Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority with the Authority, enforceable against the Authority in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.
- (d) No Conflicts. The execution and delivery hereof and of the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated hereby and by the Indenture or the financial condition, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations under this Agreement and the Indenture.

- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery hereof or of the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations hereunder and under the Indenture.

ARTICLE III

ISSUANCE OF BONDS; REFINANCING OF THE REFINANCED 2007 INSTALLMENT PAYMENTS

SECTION 3.1. *Issuance of Bonds; Deposit of Proceeds.* The Authority shall cause the Bonds to be issued under the Indenture in the aggregate principal amount set forth in the Indenture. The Trustee shall deposit the proceeds of sale of the Bonds received by it on the Closing Date in accordance with the Indenture. The City hereby approves the Indenture, the assignment thereunder to the Trustee of certain rights of the Authority, and the issuance of the Bonds.

SECTION 3.2. *Payment and Prepayment of the Refinanced 2007 Installment Payments; Defeasance and Prepayment of the Refunded 2007 Certificates.* The proceeds received by the Trustee from the sale of the Bonds to the Original Purchaser shall be deposited in the respective funds and accounts, and in the respective amounts, as set forth in Section 3.02 of the Indenture.

SECTION 3.3. *No Debt Service Reserve Fund.* The City and the Authority acknowledge that no debt service reserve fund has been established for the Bonds or the Installment Payments, and that the owners of the Bonds shall have no right to the benefit of any debt service reserve fund established for other Parity Debt.

ARTICLE IV

SALE OF 2007 PROJECT; INSTALLMENT PAYMENTS

SECTION 4.1. *Term.* The Term of this Agreement commences on the Closing Date, and ends on October 1, [2037], or such later or earlier date on which the Bonds cease to be Outstanding under and within the meaning of the Indenture.

SECTION 4.2. *Sale of 2007 Project* In consideration of the Authority's assistance with the refinancing of the Refinanced 2007 Installment Payments, the City hereby sells the 2007 Project to the Authority (subject to the City's continuing obligation under the 2007 Installment Purchase Agreement), and the Authority, subject to the terms and conditions hereof, hereby sells the 2007 Project back to the City.

SECTION 4.3. *Title.* Title to the 2007 Project, and each component thereof, will be deemed conveyed by the Authority to and vested in the City upon execution and delivery of this Agreement. The Authority and the City will execute, deliver and cause to be recorded any and all documents reasonably required by the City to consummate the transfer of title to the 2007 Project, subject to the City's continuing obligation under the 2007 Installment Purchase Agreement.

SECTION 4.4. *Installment Payments.*

(a) Obligation to Pay Installment Payments to Purchase the 2007 Project. The City hereby agrees to pay to the Authority, as the purchase price of the 2007 Project hereunder, the aggregate principal amount of _____ together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual installment payments in the respective amounts and on the respective Installment Payment Dates specified in Appendix A.

(b) Payment Provisions. The City shall deposit the Installment Payment coming due and payable on any Interest Payment Date with the Trustee, as assignee of the Authority under the Indenture, on the related Installment Payment Date. In determining the amount required to be deposited with the Trustee on any Installment Payment Date, all amounts then held by the Trustee in the Bond Fund and the accounts therein shall be credited towards the Installment Payment then due. The Installment Payments are secured by and payable solely from the sources specified in Section 4.5.

(c) Effect of Prepayment. If the City prepays all remaining Installment Payments in full under Section 7.2, the City's obligations under this Agreement will thereupon cease and terminate, including but not limited to the City's obligation to pay Installment Payments therefor under this Section 4.4; provided, however, that the City's obligations to compensate and indemnify the Trustee under Sections 4.8 and 5.2 will

survive such prepayment. If the City prepays the Installment Payments in part but not in whole under Section 7.2, the principal component of each succeeding Installment Payment will be reduced as provided in such Sections, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under the applicable provisions of Section 4.01 of the Indenture.

(d) Rate on Overdue Payments. If the City fails to make any of the payments required under this Section 4.4 and Section 4.8, the payment in default will continue as an obligation of the City until fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

(e) Assignment. Certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust under the Indenture, for the benefit of the Owners of the Bonds, and the City hereby consents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trustee at its Trust Office, all payments payable by the City under this Section 4.4 and all amounts payable by the City under Article VII.

SECTION 4.5. *Pledge and Application of System Net Revenues.*

(a) Pledge. All System Net Revenues and all amounts on deposit in the System Revenue Fund are, pursuant to Section 5451 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto, hereby irrevocably pledged to the payment of the Installment Payments and may not be used for any other purpose until all Installment Payments have been fully paid or provision has been made for such payment in accordance with Section 7.1; provided that out of the System Revenues and amounts on deposit in the System Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted in this Agreement. This pledge, together with the pledge of System Net Revenues and amounts in the System Revenue Fund securing all other Parity Obligations, shall, subject to application as permitted herein, constitute a first lien on System Net Revenues and amounts on deposit in the System Revenue Fund.

(b) Deposit of System Revenues Into System Revenue Fund; Transfers to Make Payments. In order to carry out and effectuate the pledge and lien contained in this Agreement, the City agrees and covenants that all System Revenues shall be received by the City in trust hereunder and, except for Net Proceeds, shall be deposited when and as received in a special fund designated as the "**System Revenue Fund**", which fund the City has previously established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 7.1. To the extent the City has an existing fund which satisfies the foregoing requirements, then such fund shall be deemed to be the "System Revenue Fund" and the City shall not be required to create a new fund. The City may maintain separate accounts within the System Revenue Fund. The amounts in the System Revenue Fund shall be invested in Permitted Investments. Moneys in the System Revenue Fund shall be used and applied by the City as provided in this Agreement.

The City shall, from the moneys in the System Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in

contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the System Revenue Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section and, as to funds held under the Indenture, the Indenture:

(i) Installment Payment. Not later than each Installment Payment Date, the City shall, from the moneys in the System Revenue Fund, transfer to the Trustee the Installment Payment due and payable on that Installment Payment Date. The City shall also, from the moneys in the System Revenue Fund, transfer when due to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any Parity Obligation Payments in accordance with the provisions of the applicable Parity Obligations.

(ii) Debt Service Reserve Funds. On or before the first Business Day of each month, the City shall, from the remaining moneys in the System Revenue Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such debt service reserve funds, if any, as may have been established in connection with Parity Obligations that sum, if any, necessary to restore such debt service reserve funds for Parity Obligations to an amount equal to the amount required to be maintained therein (including to reimburse the provider for a draw on a reserve account credit instrument).

(iii) Surplus. Moneys on deposit in the System Revenue Fund not necessary to make any of the payments required above in a Fiscal Year may be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to Subordinate Obligations and deposits to the Rate Stabilization Fund.

(c) No Preference or Priority. Payment of the Installment Payments and Parity Obligation Payments will be made without preference or priority among the Installment Payments and such Parity Obligation Payments. If the amount of System Net Revenues on deposit in the System Revenue Fund is at any time insufficient to enable the City to pay when due the Installment Payments and any Parity Obligation Payments, such payments will be made on a pro rata basis.

(d) Other Uses of System Net Revenues Permitted. The City shall manage, conserve and apply the System Net Revenues on deposit in the System Revenue Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing, the City may use and apply moneys in the System Revenue Fund for (i) the payment of any Subordinate Obligations or any unsecured obligations, (ii) the acquisition and construction of improvements to the System, (iii) the prepayment of any other obligations of the City relating to the System, or (iv) any other lawful purposes of the City.

(e) Budget and Appropriation of Installment Payments. During the Term of this Agreement, the City shall adopt all necessary budgets and make all necessary appropriations of the Installment Payments from the System Net Revenues. If any Installment Payment requires the adoption by the City of any supplemental budget or appropriation, the City shall promptly adopt the same. The covenants on the part of the City contained in this subsection (e) constitute duties imposed by law and it is the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this subsection (e).

SECTION 4.6. *Establishment of Rate Stabilization Fund.* The City previously established a special fund known as the "Rate Stabilization Fund" which shall be held and maintained by the City until all Installment Payments have been fully paid or provision has been made therefor in accordance with, Section 7.1. The City may, subject to the provisions of Section 4.5, during or within 210 days after a Fiscal Year, transfer surplus System Net Revenues attributable to such Fiscal Year (on the basis of Generally Accepted Accounting Principles) from the System Revenue Fund to the Rate Stabilization Fund. The City may at any time transfer moneys from the Rate Stabilization Fund to the System Revenue Fund.

Notwithstanding anything to the contrary provided in this Agreement, for purposes of the calculations required under Sections 5.8 and 5.6(b), (i) System Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as System Revenues for the Fiscal Year to which such deposited System Net Revenues are attributable and (ii) amounts withdrawn from the Rate Stabilization Fund and deposited into the System Revenue Fund may be taken into account as System Revenues for the Fiscal Year in which such deposit into the System Revenue Fund is made; provided that, for purposes of the calculation required under Section 5.6(b), the amount of System Net Revenues before any credits for transfers from the Rate Stabilization Fund to the System Revenue Fund may not be less than 100% of Annual Debt Service for such Fiscal Year. The amounts in the Rate Stabilization Fund shall be invested in Permitted Investments.

SECTION 4.7. *Special Obligation of the City; Obligations Absolute.* The City's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder is a special obligation of the City limited solely to the System Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than the System Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts. No other funds or property of the City are liable for the payment of the Installment Payments and any other amounts coming due and payable hereunder.

The obligations of the City to pay the Installment Payments from the System Net Revenues and to perform and observe the other agreements contained herein are absolute and unconditional and are not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder are fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all

other agreements contained in this Agreement, and (c) will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the System, sale of the System, the taking by eminent domain of title to or temporary use of any component of the System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Agreement.

The foregoing provisions of this Section 4.7 do not release the Authority from the performance of any of the agreements on its part contained herein or in the Indenture, and if the Authority fails to perform any such agreements, the City may institute such action against the Authority as the City deems necessary to compel performance, so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at its cost and expense and in its name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder, and in such event the Authority shall cooperate fully with the City and shall take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City may request.

SECTION 4.8. *Additional Payments.* In addition to the Installment Payments, the City shall pay when due the following amounts to the following parties:

- (a) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of this Agreement and the Indenture; and
- (b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents;
- (c) to the Authority and the Trustee, all amounts required to indemnify the Authority and the Trustee under Section 5.2 hereof and Section 8.07 of the Indenture;
- (d) all costs and expenses of auditors, engineers and accountants for professional services relating to the System or the Bonds; and
- (e) all Excess Investment Earnings payable under Section 5.11(e).

The Additional Payments are payable from, but are not secured by a pledge or lien upon, the System Net Revenues. The rights of the Trustee and the Authority under this Section 4.8, and the obligations of the City under this Section 4.8, shall survive the termination of this Agreement.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.1. *Disclaimer of Warranties.* The Authority makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the 2007 Project or any component thereof, or any other representation or warranty with respect to the 2007 Project or any component thereof. In no event is the Authority liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Agreement or the Indenture for the existence, furnishing, functioning or use of the 2007 Project.

SECTION 5.2. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on or about the System by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Agreement or the Indenture, (c) any act or omission of the City or of any of its agents, contractors, servants, employees or licensees with respect to the System, (d) any act or omission of any lessee of the City with respect to the System, and (e) the Trustee's exercise and performance of its powers and duties hereunder, under the Indenture, and any other document or transaction contemplated in connection herewith or therewith. No indemnification is made under this Section 5.2 or elsewhere in this Agreement for willful misconduct or negligence under this Agreement by the Authority, the Trustee or their respective officers, agents, employees, successors or assigns. The provisions of this Section 5.2 shall survive the expiration of the Term of this Agreement.

SECTION 5.3. *Sale or Eminent Domain of System.* Except as provided herein, the City covenants that the System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the Installment Payments or the principal of or interest on any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Agreement or any Parity Debt. The City may not enter into any agreement which impairs the operation of the System or any part of it necessary to secure adequate System Net Revenues to pay the Installment Payments or any Parity Debt, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the System Net Revenues.

If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from

such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such eminent domain proceedings so that the ability of the City to pay all Parity Debt when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City of such purpose shall be deposited in the System Revenue Fund and applied as provided in Section 4.5, provided, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they shall become due ratably without any discrimination or preference; provided further that the foregoing procedures for the application of Net Proceeds consisting of awards under eminent domain proceedings shall be subject to any similar provisions for Parity Debt on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Parity Debt, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the System Revenue Fund, to be applied as provided in Section 4.5.

SECTION 5.4. *Insurance.* The City shall at all times maintain with responsible insurers all such insurance on the System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the System.

The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City, the Authority, the Trustee and the Owners of the Bonds.

Any policy of insurance required under this Section 5.4 may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

If all or any part of the System shall be damaged or destroyed, the Net Proceeds realized by the City as a result thereof shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing repairs, replacements, additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such damage or destruction, (ii) a general description of the repairs, replacements, additions, betterment, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the System Revenues to be derived after the completions of such repairs, replacements, additions, betterment, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that the System Revenues after such repair, replacement, addition, betterment, extension or improvement of the System will sufficiently offset on a timely basis the loss of System Revenues resulting from such damage or destruction so that the ability of the City to pay all Parity Debt when due will

not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the System Revenue Fund and applied as provided in Section 4.5; provided, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Installment Payments and Parity Obligation Payments as they shall become due ratably without any discrimination or preference; provided further that the foregoing procedures for the application of Net Proceeds consisting of insurance payments shall be subject to any similar provisions for Parity Debt on a pro rata basis.

If such damage or destruction has had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Parity Debt, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the System Revenue Fund, to be applied as provided in Section 4.5.

SECTION 5.5. *Records and Accounts.* The City shall keep proper books of record and accounts of the System in which complete and correct entries are made of all transactions relating to the System. Said books shall, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% of the Outstanding Bonds, or their representatives authorized in writing, upon not less than two Business Days' prior notice to the City.

The City shall cause the books and accounts of the System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the City and at the Trust Office of the Trustee. Such report may be part of a combined financial audit or report covering all or part of the City's finances.

SECTION 5.6. *Rates and Charges.*

(a) The City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 7.1, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs.
- (ii) The Installment Payments, all other Parity Obligation Payments and all payments on Subordinate Obligations as they become due and payable.
- (iii) All payments required for compliance with the terms of the Indenture and this Agreement.
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the System Revenues.

(b) In addition to the requirements of the foregoing subsection (a) of this Section, the City will, at all times until all Installment Payments have been fully paid or provision has been made therefor in accordance with Section 7.1, to the maximum

extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 110% per cent of the Annual Debt Service in such Fiscal Year; provided, an adjustment shall be made to the amount of System Net Revenues as provided in Section 4.6.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the System Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

SECTION 5.7. *Superior and Subordinate Obligations.* The City may not issue or incur any additional bonds or other obligations during the Term of this Agreement having any priority in payment of principal or interest out of the System Revenues or the System Net Revenues over the Installment Payments.

Nothing herein limits or affects the ability of the City to issue or incur (a) Parity Obligations under Section 5.8, or (b) Subordinate Obligations.

SECTION 5.8. *Issuance of Parity Obligations.* The City may at any time enter into or otherwise incur Parity Obligations in addition to the obligations under this Agreement and the Parity Payment Obligations under the 2004 Installment Purchase Agreement, the 2007 Installment Purchase Agreement and the 2012 Installment Purchase Agreement; provided:

(a) The City shall be in compliance with all agreements, conditions, covenants and terms contained in this Agreement required to be observed or performed by it, and a Certificate of the City to that effect shall have been filed with the Trustee.

(b) Any debt service reserve fund established for such Parity Debt shall satisfy the following criteria: (i) such debt service reserve fund shall be held by an independent trustee (who may be other than the Trustee); (ii) the required amount of such debt service reserve fund shall not exceed the lesser of the maximum annual debt service of such Parity Debt (calculated on the basis of a year ending on the principal payment date of such Parity Debt) or the maximum amount permitted under the Code, provided that, if such Parity Debt is a loan from a governmental agency, then a debt service reserve fund shall be established in the amount, if any, required or permitted by such governmental agency; and (iii) the City shall not be required to replenish withdrawals from such debt service reserve fund in greater than monthly installments equal to 1/12 of the aggregate amount needed to restore the debt service reserve fund to the required level.

(c) The System Net Revenues for the last completed Fiscal Year or any 12 consecutive months within the last 18 months preceding the date of entry into or incurrence of such Parity Debt, as shown by a Certificate of the City on file with the Trustee, plus an allowance for increased System Net Revenues arising from any increase in the rates, fees and charges of the System which was duly adopted by the City Council of the City prior to the date of the entry

into or incurrence of such Parity Debt but which, during all or any part of such 12 month period was not in effect in an amount equal to the amount by which the System Net Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such 12 month period, as shown by a Certificate of the City on file with the Trustee, shall have produced a sum equal to at least 110% of the Maximum Annual Debt Service as calculated after the entry into or incurrence of such Parity Debt; provided that in the event that all or a portion of such Parity Debt is to be issued for the purpose of refunding and retiring any Parity Debt then outstanding, interest and principal payments on the Parity Debt to be so refunded and retired from the proceeds of such Parity Debt being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service; provided further, that the City may at any time enter into or incur Parity Debt without compliance with the foregoing conditions if the Annual Debt Service for each Fiscal Year during which such Parity Debt is outstanding will not be increased by reason of the entry into or incurrence of such Parity Debt; and provided further, an adjustment shall be made in the amount of System Net Revenues as provided in Section 4.6.

Nothing contained in this Section shall limit the issuance of any revenue bonds, notes or other evidences of indebtedness or the entry into any installment purchase agreement by the City payable from the System Net Revenues and secured by a lien and charge on the System Net Revenues if, after the issuance of such revenue bonds or entry into such installment purchase agreement, all of the Installment Payments shall have been fully paid or provision has been made therefor in accordance with Section 7.1. Furthermore, nothing contained in this Section shall limit the issuance or incurrence of any Subordinate Obligations.

SECTION 5.9. *Operation of System in Efficient and Economical Manner.* The City covenants and agrees to operate the System in an efficient and economical manner and to operate, maintain and preserve the System in good repair and working order.

SECTION 5.10. *Assignment and Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Agreement, but only: (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code; and

- (iv) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Installment Payment Date or reducing any Installment Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

SECTION 5.11. *Tax Covenants.*

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The City may not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The City may not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of Excess Investment Earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code. Such payments shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Payments hereunder.

The City shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e). In order to provide for the administration of this subsection (e), the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection (e).

SECTION 5.12. *Continuing Disclosure* The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure

Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate does not constitute an Event of Default. However, any Participating Underwriter (as that term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel the City to perform its obligations under the Continuing Disclosure Certificate, including seeking mandate or specific performance by court order.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.1. *Events of Default Defined.* The following events constitute Events of Default hereunder:

- (a) Failure by the City to pay any Installment Payment when due and payable hereunder.
- (b) Failure by the City to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 30 days.
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee; *provided, however*, that if the City notifies the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an event of default hereunder if the City commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) Only as long as it is an event of default under and as defined with respect to any Parity Debt, the filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.
- (e) The occurrence of any event of default under and as defined with respect to any Parity Debt.

SECTION 6.2. *Remedies on Default.* If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

- (a) Only as long as it is an available remedy under and as defined with respect to any Parity Debt, declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Trustee shall rescind and annul such declaration and its consequences if, before any judgment or decree for the payment of the moneys due has been obtained or entered, (i) the City deposits with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and (ii) the City pays the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and (iii) any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good. No such rescission and annulment will extend to or shall affect any subsequent default, or impair or exhaust any right or power consequent thereon.

- (b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Agreement.
- (c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the System Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

SECTION 6.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive. Every such remedy is cumulative and in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VI, it is not necessary to give any notice, other than such notice as may be required in this Article VI or by law.

SECTION 6.4. *Agreement to Pay Attorneys' Fees and Expenses.* If either party to this Agreement defaults under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. The provisions of this Section 6.4 survive the expiration of the Term of this Agreement.

SECTION 6.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, such waiver is limited to the particular breach so waived and does not waive any other breach hereunder.

SECTION 6.6. *Trustee and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article VI have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies will be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 7.1. *Security Deposit.* Notwithstanding any other provision hereof, the City may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts, is either:

- (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant (which opinion is addressed and delivered to the Trustee), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.4(a) or when due on any optional prepayment date under Section 7.2, as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section for the payment of all remaining Installment Payments, all obligations of the City hereunder, and the pledge of System Net Revenues and all other security provided by this Agreement for said obligations, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made, all Installment Payments from the security deposit. The

security deposit will be deemed to be and will constitute a special fund for the payment of the Installment Payments in accordance with the provisions hereof.

SECTION 7.2. *Optional Prepayment.* The City may exercise its option to prepay the principal components of the Installment Payments in whole or in part on any date on or after the Installment Payment Date relating to the October 1, 2026 Interest Payment Date. The City may exercise such option by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the Installment Payments to be prepaid, (b) the interest component of the Installment Payment required to be paid on or accrued to such date, and (c) the premium (if any) then required to be paid upon the corresponding redemption of the Bonds under Section 4.01(a) of the Indenture. The Trustee shall deposit the prepayment price in the Installment Payment Fund to be applied to the redemption of Bonds under Section 4.01(a) of the Indenture. If the City prepays the Installment Payments in part but not in whole, the principal components will be prepaid among such maturities and in such integral multiples of \$5,000 as the City designates in written notice to the Trustee. The City shall give the Trustee written notice of its intention to exercise its option in sufficient time to enable the Trustee to give notice of redemption as required by the Indenture.

The Installment Payments will otherwise be subject to prepayment in the amounts and at the times necessary to provide for redemption of the Bonds as set forth in the Indenture.

SECTION 7.3. *Credit for Amounts on Deposit.* If the City prepays the Installment Payments in full under this Article VII, such that the Indenture is discharged by its terms as a result of the prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture will be credited towards the amounts then required to be so prepaid.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.1. *Further Assurances.* The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 8.2. *Notices.* Any notice, request, complaint, demand or other communication under this Agreement must be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopier or other form of telecommunication, at its number set forth below. Notice is effective either (a) upon transmission by fax or other form of telecommunication, (b) upon actual receipt after deposit in the United States of America mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the

Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the City
or the Authority:*

City of Lodi
P.O. Box 3006
Lodi, California 95241-1910
Attention: Deputy City Manager/
Internal Services Director

If to the Trustee:

MUFG Union Bank, N.A.
350 California St., 11th Fl.
San Francisco, California 94104
Attention: Corporate Trust Department

SECTION 8.3. *Governing Law.* This Agreement will be construed in accordance with and governed by the laws of the State of California.

SECTION 8.4. *Binding Effect.* This Agreement inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 8.5. *Severability of Invalid Provisions.* If any one or more of the provisions contained in this Agreement are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, and this Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

SECTION 8.6. *Article and Section Headings and References.* The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, are solely for convenience of reference and do not affect the meaning, construction or effect of this Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender mean and include words of the feminine and neuter genders.

SECTION 8.7. *Payment on Non-Business Days.* Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment will be made on the immediate preceding Business Day.

SECTION 8.8. *Execution of Counterparts.* This Agreement may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original and all of which together constitute but one and the same instrument.

SECTION 8.9. *Waiver of Personal Liability.* No member of the City Council, officer, agent or employee of the City has any individual or personal liability for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained relieves any such member of the City Council, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

SECTION 8.10. *Trustee as Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereof and is entitled to the benefits of this Agreement with the same force and effect as if the Trustee were a party hereto.

IN WITNESS WHEREOF, the Authority and the City have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

LODI PUBLIC FINANCING AUTHORITY,
as Seller

By _____
Executive Director

ATTEST:

By _____
Secretary

CITY OF LODI, as Purchaser

By _____
City Manager

ATTEST:

By _____
City Clerk

APPENDIX A

SCHEDULE OF INSTALLMENT PAYMENTS

<u>Installment Payment Date</u> ⁽¹⁾	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
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TOTALS

- (1) Installment Payment Dates are the Business Day immediately preceding each Interest Payment Date shown in the table.

EXHIBIT C

FORM OF BOND PURCHASE AGREEMENT

§ _____
LODI PUBLIC FINANCING AUTHORITY
2016 REFUNDING WASTEWATER REVENUE BONDS, SERIES A

BOND PURCHASE AGREEMENT

February __, 2016

Board of Directors
Lodi Public Financing Authority
Lodi, California

City Council
City of Lodi
Lodi, California

Ladies and Gentlemen:

The undersigned, J.P. Morgan Securities LLC (the “Underwriter”) relating to the Authority’s § _____ 2016 Refunding Wastewater Revenue Bonds, Series A (the “Series 2016 Bonds”), hereby offers to enter into this Bond Purchase Agreement (the “Purchase Agreement”) with you, the Lodi Public Financing Authority (the “Authority”) and you, the City of Lodi (the “City”), which, upon the Authority’s and the City’s acceptance of this offer, will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance by each of you prior to 11:59 P.M., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to you at any time prior to acceptance. Upon acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority, the City and the Underwriter. All capitalized terms used herein not otherwise defined herein shall have the respective meanings ascribed thereto in the Official Statement and the Indenture (each, as herein defined).

1. Purchase, Sale and Delivery of the Series 2016 Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase and the Authority agrees to sell and deliver to the Underwriter all (but not less than all) of the Series 2016 Bonds.

(b) The Series 2016 Bonds shall be issued pursuant to the Marks Roos Local Bond Pooling Act of 1985, consisting of Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6584 (the “Act”) and an Indenture of Trust (the “Indenture”), dated as of March 1, 2016, by and between the Authority and Union Bank, N.A., as trustee (the “Trustee”). The Series 2016 Bonds shall be dated the Closing Date (as hereinafter defined). The Series 2016 Bonds shall have the maturities and bear interest at the rates per annum and at the prices and yields and shall be subject to redemption as shown on Exhibit A hereto. The Series 2016 Bonds are not subject to redemption prior to maturity. The Series 2016 Bonds shall be substantially in the form described in, and shall be issued and secured under, the provisions of the Indenture. The Series 2016 Bonds are special, limited obligations of the Authority payable solely from and secured by Authority Revenues and certain funds and accounts held under the Indenture. Authority Revenues consist primarily of installment payments

(“Installment Payments”) to be made by the City pursuant to an Installment Purchase Agreement dated as of March 1, 2016 (the “Installment Purchase Agreement”). The obligation of the City to make the Installment Payments is a special obligation of the City that is secured by a pledge of and payable solely from System Net Revenues.. The Series 2016 Bonds are being issued to provide funds to (i) refinance \$_____ principal amount of City of Lodi (the “City”) Wastewater System Revenue Certificates of Participation, 2007 Series A (such amount refinanced constituting the “Refunded Certificates”) and the corresponding portion of the related installment payment obligation of the City; and (ii) pay the costs of issuing the 2016 Bonds.

(c) The aggregate purchase price for the Series 2016 Bonds will be \$_____ (consisting of the aggregate principal amount of the Series 2016 Bonds less an Underwriter’s discount of \$_____ and plus net original issue premium of \$_____).

(d) At 8:00 o’clock A.M., California time, on March __, 2016, or at such other time or on such other date as we mutually agree upon (the “Closing Date”), the Authority and the City will, subject to the terms and conditions hereof, cause to be delivered to the Underwriter, at a location or locations to be designated by the Underwriter in New York, New York, the Series 2016 Bonds (delivered through the book entry system of The Depository Trust Company), duly executed, and at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California, or at such other place as shall have been mutually agreed upon by the Authority and the Underwriter, the other documents mentioned herein. The Underwriter will accept such delivery and pay the Purchase Price in immediately available funds (such delivery and payment being herein referred to as the “Closing”) to the order of the Trustee.

(e) The Underwriter agrees to make a bona fide public offering of the Series 2016 Bonds at the initial offering prices set forth in the Official Statement (as hereinafter defined), which prices may be changed from time to time by the Underwriter after such offering.

(f) The City will undertake, pursuant to a Continuing Disclosure Certificate, dated as of the Closing Date (the “Continuing Disclosure Certificate”) to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement (as hereinafter defined) and will also be set forth in the Official Statement. Except as described in the Official Statement, the City has not failed to comply in the last five years in all material respects with any previous undertakings with regard to Rule 15c2-12 (as defined below) to provide annual reports or notices of material events.

(g) The City and the Authority acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction among the City, the Authority and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and have been acting solely as principals and is not acting as the agents or fiduciaries of the City and the Authority, (iii) the Underwriter has not assumed an advisory or fiduciary responsibilities in favor of the City and the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City and the Authority on other matters) and the Underwriter has no obligation to the City and the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the City and the Authority have consulted their own legal, financial and other advisors to the extent they have deemed appropriate.

2. Use and Preparation of Official Statement. The Authority and the City hereby ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement dated February __, 2016 relating to the Series 2016 Bonds (which, together with all appendices thereto, is referred to herein as the "Preliminary Official Statement"). The Authority and the City have deemed final the Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated by the Securities Exchange Act of 1934 ("Rule 15c2-12"), as amended, except for the omission of such information as is specified in Rule 15c2-12(b)(1). The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven (7) business days of the date hereof, conformed copies of the final Official Statement, dated the date hereof (which shall be in the form of the Preliminary Official Statement with only the addition of information previously permitted to have been omitted by Rule 15c2-12) and any amendments or supplements to such Official Statement as have been approved by the Authority, the City and the Underwriter (the "Official Statement") in sufficient quantity to enable the Underwriter to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the Series 2016 Bonds. At the time of or prior to the Closing Date, the Underwriter shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board.

3. Representations, Warranties and Agreements of the Authority. The Authority hereby represents, warrants and agrees with the Underwriter as follows:

(a) The Authority is, and will be on the Closing Date, a joint powers entity of the State of California organized and operating pursuant to the laws of the State of California with the full power and authority to issue the Series 2016 Bonds pursuant to the Act, to execute and deliver the Official Statement and to enter into this Purchase Agreement, the Indenture, and the Installment Sale Agreement;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly approved, ratified and confirmed the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Indenture, the Installment Sale Agreement and this Purchase Agreement and the consummation by it of all other transactions contemplated by the Official Statement, the Indenture, the Installment Sale Agreement and this Purchase Agreement;

(c) The Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the issuance of the Series 2016 Bonds and the execution and delivery of the Indenture, the Installment Sale Agreement, this Purchase Agreement and the Official Statement, and compliance with the provisions on the Authority's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or

encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument;

(d) To the best knowledge of the Authority after reasonable investigation, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority in any material respect affecting the existence of the Authority or the titles of its officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2016 Bonds or contesting or affecting, as to the Authority, the validity or enforceability of the Series 2016 Bonds, the Installment Sale Agreement, the Indenture or this Purchase Agreement or contesting the powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture, the Installment Sale Agreement or this Purchase Agreement;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Series 2016 Bonds under the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2016 Bonds; and all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Indenture, the Installment Sale Agreement or this Purchase Agreement have been duly obtained;

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Series 2016 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Series 2016 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Series 2016 Bonds; provided, that in no event shall the Authority be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(g) As of the date thereof and hereof, the Preliminary Official Statement (except for the omission of such information as is specified in Rule 15c2-12(b)(1)) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein relating to the Authority, in the light of the circumstances under which they were made, not misleading (excluding therefrom information about DTC or the book-entry only system contained in the Preliminary Official Statement);

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter

defined) for the Series 2016 Bonds, the Official Statement did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, relating to the Authority in the light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority will notify the Underwriter, and, if in the opinion of the Authority, the Underwriter or its counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish to the Underwriter (at the expense of the Authority) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(j) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (i) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(k) After the Closing up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter;

(l) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Series 2016 Bonds shall mean the earlier of (i) the Closing Date unless the Authority and the City shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date, or (ii) the date on which the End of the Underwriting Period for the Series 2016 Bonds has occurred under Rule 15c2-12; provided, that the Authority and the City may treat as the End of the Underwriting Period for the Series 2016 Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(m) The Authority will apply, or cause the application of, the proceeds of the Series 2016 Bonds in accordance with the Installment Sale Agreement and the Indenture; and

(n) Any certificate signed by any authorized official of the Authority, and delivered to the Underwriter in connection with the execution and delivery of the Series 2016 Bonds, shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

4. Representations, Warranties and Agreements of the City. The City hereby represents, warrants and agrees with the Underwriter as follows:

(a) The City is, and will be on the Closing Date, a municipal corporation and general law city duly organized and existing under the Constitution and laws of the State of California (the "State") with the full power and authority to execute and deliver the Official Statement and to enter into this Purchase Agreement, the Continuing Disclosure Certificate, the Installment Sale Agreement and the Escrow Deposit and Trust Agreement, dated as of March 1, 2016 (the "Escrow Agreement"), between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent for the Refunded Certificates (the "Escrow Agent");

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly approved, ratified and confirmed the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the Continuing Disclosure Certificate, the Installment Sale Agreement, the Escrow Agreement and this Purchase Agreement and the consummation by it of all other transactions contemplated by the Official Statement, the Continuing Disclosure Certificate, the Installment Sale Agreement, the Escrow Agreement and this Purchase Agreement;

(c) The City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the execution and delivery of the Continuing Disclosure Certificate, the Installment Sale Agreement, this Purchase Agreement, the Escrow Agreement and the Official Statement, and compliance with the provisions on the City's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the City after reasonable investigation, threatened against the City in any material respect affecting the existence of the City or the titles of its officers to their respective offices or contesting or affecting, as to the City, the validity or enforceability of the Continuing Disclosure Certificate, the Installment Sale Agreement, the Escrow Agreement or this Purchase Agreement or contesting the powers of the City or its authority to enter into, adopt or perform its obligations

under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Continuing Disclosure Certificate, the Installment Sale Agreement, the Escrow Agreement or this Purchase Agreement;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the issuance of the Series 2016 Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2016 Bonds; and all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations under the Continuing Disclosure Certificate, the Installment Sale Agreement, the Escrow Agreement or this Purchase Agreement have been duly obtained (including to the extent required, any governmental permits and approvals, including demonstration of compliance with the California Environmental Quality Act, as amended, Division 13 of the California Public Resources Code (“CEQA”));

(f) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Series 2016 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Series 2016 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Series 2016 Bonds; provided, that in no event shall the City be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(g) As of the date thereof and hereof, the Preliminary Official Statement (except for the omission of such information as is specified in Rule 15c2-12(b)(1)) did not (excluding therefrom information about DTC or the book-entry only system contained in the Preliminary Official Statement), contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period for the Series 2016 Bonds, the Official Statement (excluding therefrom information about DTC or the book-entry only system contained in the Official Statement), did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein

or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will notify the Underwriter, and, if in the opinion of the City, the Underwriter or its counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish to the Underwriter (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(j) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (i) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, the portions of the Official Statement so supplemented or amended (excluding therefrom information about DTC or the book-entry only system), will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(k) After the Closing up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2016 Bonds, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter;

(l) The Audited Financial Statements of the City for the Fiscal Year ended June 30, 2015, as contained in Appendix B to the Official Statement, fairly and accurately present the financial condition of the System as of such date and there has not been, nor does the City anticipate that there will be, any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the System;

(m) Since June 30, 2015, except as referred to in or as contemplated by the Official Statement, with respect to its System, the City has not incurred any financial liabilities, direct or contingent, or entered into any transactions and there has not been any adverse change in the condition, financial or physical, of the System, in any case that would materially and adversely affect the ability of the City to meet its obligations under the Installment Sale Agreement;

(n) Between the date of this Purchase Agreement and the Closing Date, except as described in the Official Statement, the City will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities direct or contingent, payable from System Revenues (as defined in the Installment Sale Agreement), nor does the City reasonably anticipate that there will be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the City; and

(o) Any certificate signed by any authorized official of the City, and delivered to the Underwriter in connection with the execution and delivery of the Series 2016 Bonds, shall be

deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

5. Conditions to the Obligations of the Underwriter. The Underwriter hereby enters into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein and the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of their obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Series 2016 Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the Authority and the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and the City made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven (7) business days of the date hereof, copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such reasonable quantity as the Underwriter shall have requested;

(b) The representations and warranties of the Authority and the City contained herein shall be true and correct on the date hereof and on the Closing Date, as if made on and at the Closing;

(c) At the Closing, the Indenture, the Installment Sale Agreement, the Continuing Disclosure Certificate, the Escrow Agreement and this Purchase Agreement shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Authority and the City, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the Board of Directors of the Authority and the City Council of the City as, in the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel to the Authority ("Bond Counsel"), shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth in the Official Statement, of the Series 2016 Bonds shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the Authority and the City terminating the obligation of the Underwriter to accept delivery of and make any payment for the Series 2016 Bonds), by reason of any of the following:

(1) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for

passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the Authority or upon interest received on obligations of the general character of the Series 2016 Bonds which, in the reasonable judgment of the Underwriter, may have the purpose or effect, directly or indirectly, of affecting the tax status of the Authority, its property or income, its securities (including the Series 2016 Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Underwriter, materially and adversely affecting the market for the Series 2016 Bonds or the market price generally of obligations of the general character of the Series 2016 Bonds;

(2) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Series 2016 Bonds, or the Series 2016 Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) the declaration of war or engagement or significant escalation in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(4) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(5) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Series 2016 Bonds or obligations of the general character of the Series 2016 Bonds or securities generally, or the material increase of any such

restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(6) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Series 2016 Bonds, or the issuance, offering or sale of the Series 2016 Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(7) the withdrawal or downgrading or placement on “credit watch” or “negative outlook” of any rating of the Series 2016 Bonds by a national rating agency; or

(8) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(e) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The Preliminary Official Statement, the Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Authority and the City;

(2) Copies of the Indenture, the Installment Sale Agreement, this Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Certificate, each duly executed and delivered by the respective parties thereto;

(3) The approving opinion of Bond Counsel, dated the Closing Date and addressed to the Authority, in substantially the form attached to the Official Statement as Appendix D thereto, and a letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(4) The supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit B.

(5) The opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit C;

(6) The opinion of the City Attorney, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit D;

(7) The opinion of counsel to the Trustee, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) the Trustee has duly authorized, executed and delivered the Indenture; and (ii) the Indenture

constitutes a legally valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(8) The opinion of counsel to the Escrow Agent, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreement; and (ii) the Escrow Agreement constitutes a legally valid and binding obligation of the Escrow Agent, enforceable against the Escrow Agent in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(9) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that (i) the representations and warranties of the Authority contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) there is no action, suit, proceeding, inquiry or investigation pending or to the best knowledge of such official after reasonable investigation, threatened (a) to restrain or enjoin the execution, sale or delivery of any of the Series 2016 Bonds, (b) in any way affecting the validity of the Series 2016 Bonds, this Purchase Agreement, the Indenture, the Escrow Agreement or the Installment Sale Agreement, or (c) in any way contesting the existence or powers of the Authority; nor to the best knowledge of such official after reasonable investigation is there any basis for any such action, suit, proceeding, inquiry or investigation wherein an unfavorable decision, ruling or finding would make invalid or materially adversely affect the authorization, execution, delivery or performance by the Authority of the foregoing and (iii) no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement relating to the Authority or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein relating to the Authority not misleading in any material respect;

(10) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City satisfactory to the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that (i) the representations and warranties of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) there is no action, suit, proceeding, inquiry or investigation pending or, to the best knowledge of such official, threatened (a) to restrain or enjoin payments under the Installment Sale Agreement, (b) in any way contesting or affecting the validity of the Continuing Disclosure Certificate, this Purchase Agreement, the Escrow Agreement or the Installment Sale Agreement, or (c) in any way contesting the existence or powers of the City; nor to the best knowledge of such official after reasonable investigation, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would make invalid or materially adversely affect

the authorization, execution, delivery or performance by the City of the foregoing; (iii) no event has occurred since the date of the Official Statement (excluding therefrom information about DTC or the book-entry only system contained in the Official Statement) which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and (iv) since June 30, 2011, except as referred to in or as contemplated by the Official Statement, with respect to the System, the City has not incurred any financial liabilities, direct or contingent, or entered into any transactions and there has not been any adverse change in the condition, financial or physical, of the System, in any case that would materially and adversely affect the ability of the City to meet its obligations under the Installment Sale Agreement;

(11) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America; having the full power and being qualified to enter into and perform its duties under the Indenture; (ii) the Trustee is duly authorized to enter into the Indenture; (iii) the execution and delivery of the Indenture and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; (iv) it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action, to the best of such official's knowledge after reasonable investigation, threatened against the Trustee, as such but not in its individual capacity, affecting the existence of the Trustee, or the titles of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the collection of the funds to be applied to pay the principal, premium, if any, and interest with respect to the Series 2016 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Indenture, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture; and (v) subject to the provisions of the Indenture and applicable law, the Trustee will apply the proceeds from the Series 2016 Bonds to the purposes specified in the Indenture

(12) A certificate, dated the Closing Date, signed by a duly authorized official of the Escrow Agent, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Escrow Agent is a national banking association organized and existing under and by virtue of the laws of the United States of America; having the full power and being qualified to enter into and perform its duties under the Escrow Agreement; (ii) the Escrow Agent is duly authorized to enter into the Escrow Agreement; (iii) the execution

and delivery of the Escrow Agreement and compliance with the provisions on the Escrow Agent's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, Escrow Agreement, bond, note, resolution, agreement or other instrument to which the Escrow Agent is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Escrow Agent pursuant to the lien created by the Escrow Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Escrow Agreement; and (iv) it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor is any such action, to the best of such official's knowledge after reasonable investigation, threatened against the Escrow Agent, as such but not in its individual capacity, affecting the existence of the Escrow Agent, or the titles of its officers to their respective offices, or the pledge of the Escrow Agreement, or in any way contesting or affecting the validity or enforceability of the Escrow Agreement, or contesting the powers of the Escrow Agent or its authority to enter into, adopt or perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Escrow Agreement;

(13) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture

(14) A certified copy of the general resolution of the Escrow Agent authorizing the execution and delivery of the Escrow Agreement;

(15) Certified copies of the resolution of the Authority authorizing the execution and delivery of the Indenture, the Installment Sale Agreement, this Purchase Agreement and the Official Statement;

(16) Certified copies of the resolutions of the City authorizing the execution and delivery of the Installment Sale Agreement, the Continuing Disclosure Certificate, this Purchase Agreement, the Escrow Agreement and the Official Statement;

(17) A Tax Certificate with respect to the Series 2016 Bonds, together with Form 8038-G, in form satisfactory to Bond Counsel, signed by an appropriate officer of the City and the Authority;

(18) Evidence that the ratings on the Series 2016 Bonds as set forth in the Official Statement are in full force and effect as of the Closing Date;

(19) An opinion of Underwriter's Counsel, dated the Closing Date and addressed to the Underwriter, in their capacity as counsel to the Underwriter in connection with the purchase by the Underwriter of the 2016 Bonds, without having undertaken to determine independently, and without assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official

Statement, such counsel advises that no information has come to the attention of the attorneys in the firm representing the Underwriter in connection with their purchase of the 2016 Bonds which would lead them to believe that the Official Statement (except for information relating to any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any of the Appendices to the Official Statement, or any information about book-entry or DTC, included therein, as to which no opinion or view need be expressed) as of its date contained, or as of the date of the Closing, contains, any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(20) Such additional legal opinions, certificates, proceedings, instruments, insurance policies or evidences thereof and other documents as the Underwriter or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the Authority and the City herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Authority and the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City in connection with the transactions contemplated hereby and by the Indenture and the Installment Sale Agreement.

If the Authority and the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the Authority and the City and neither the Underwriter nor the Authority or the City shall have any further obligations hereunder.

6. Expenses. All expenses and costs incident to the authorization, issuance, delivery and sale of the Series 2016 Bonds to the Underwriter, including the costs of printing of the Series 2016 Bonds, the Preliminary Official Statement and the Official Statement, the cost of duplicating the Indenture, the Installment Sale Agreement, the Continuing Disclosure Certificate, the fees of accountants, financial advisors, consultants and rating agencies, the initial fee of the Trustee and its counsel in connection with the issuance of the Series 2016 Bonds and the fees and expenses of Bond Counsel, shall be paid from the proceeds of the Series 2016 Bonds. In the event that the Series 2016 Bonds for any reason are not issued, or to the extent proceeds of the Series 2016 Bonds are insufficient or unavailable therefor, any fees, costs and expenses owed by the Authority or the City, which otherwise would have been paid from the proceeds of the Series 2016 Bonds, shall be paid by the Authority or the City. All out of pocket expenses of the Underwriter, including traveling and other expenses, the California Debt and Investment Advisory Commission fee and the fees and expenses of Underwriter's Counsel shall be paid by the Underwriter.

7. Notices. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing to the respective parties at the following address:

Underwriter: J.P. Morgan Securities LLC

Attention: Juan Fernandez

Authority: Lodi Public Financing Authority
c/o the City of Lodi
221 West Pine Street
Lodi, CA 95241-1910

City: City of Lodi
221 West Pine Street
Lodi, CA 95241-1910

8. Survival of Representations and Warranties. The representations and warranties of the Authority and the City set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the Series 2016 Bonds.

9. Effectiveness and Counterpart Signatures. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and the City and shall be valid and enforceable as of the time of such acceptance. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

10. Parties in Interest. This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

11. Headings. The headings of the sections of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

12. Governing Law. This Purchase Agreement shall be construed in accordance with the laws of the State of California.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By: _____
Authorized Signatory

ACCEPTED:

LODI PUBLIC FINANCING AUTHORITY

By: _____
Authorized Officer

CITY OF LODI

By: _____
Authorized Signatory

EXHIBIT A

MATURITY SCHEDULE

\$ _____ **Series 2016 Serial Bonds**

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

City of Lodi
Lodi Public Financing Authority
Lodi, California

J.P. Morgan Securities LLC
San Francisco, California

Lodi Public Financing Authority
\$ _____ 2016 Refunding Wastewater Revenue Bonds, Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Lodi Public Financing Authority (the "Authority") in connection with the issuance by the Issuer of the above-referenced bonds (the "Bonds"), pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Law"), and an Indenture of Trust (the "Indenture"), dated as of March 1, 2016, by and between the Authority and Union Bank, N.A., as trustee (the "Trustee"). The Bonds were sold to J.P. Morgan Securities LLC (the "Underwriter"), pursuant to a Bond Purchase Agreement, dated February __, 2016 (the "Purchase Contract"), among the Underwriter, the City of Lodi (the "City") and the Authority. This letter is being delivered in our capacity as bond counsel to the Authority and not as counsel to the Underwriter.

We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority has duly and validly executed the Purchase Contract, and the Purchase Contract constitutes the legal, valid and binding agreement of the Authority, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.
2. The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE SERIES 2016 BONDS" (other than information relating to DTC and its book-entry only system, as to which no opinion need be expressed)," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS," "TAX MATTERS," and in Appendices C and D thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture and our final approving opinion relating to the Bonds, are accurate in all material respects.

3. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

This opinion is rendered solely for your benefit in connection with issuance of the Bonds and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval. We disclaim any obligation to supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law that may hereafter occur, and our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

EXHIBIT C
OPINION OF AUTHORITY COUNSEL ADDRESSED TO THE UNDERWRITER

[DATE OF DELIVERY]

J.P. Morgan Securities LLC
San Francisco, California

Lodi Public Financing Authority
\$ _____ 2016 Refunding Wastewater Revenue Bonds, Series A

Dear Ladies and Gentlemen:

I am [_____], counsel to the Lodi Public Financing Authority (the "Authority") a joint exercise of powers entity organized and existing pursuant to the provisions of Title 1, Division 7, Chapter 5 of the Government Code of the State of California. This opinion is rendered in connection with the issuance of the above-referenced bonds (the "Bonds"). The Series 2016 Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated as of March 1, 2016, by and between the Authority and Union Bank, N.A., as trustee (the "Trustee"). The Bonds were sold to J.P. Morgan Securities LLC (the "Underwriter"), pursuant to a Bond Purchase Agreement, dated February __, 2016 (the "Purchase Contract"), among the Underwriter, the City of Lodi (the "City") and the Authority. This letter is being delivered in my capacity as counsel to the Authority and not as counsel to the Underwriter.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture, or, if not defined in the Indenture, in the Purchase Contract.

In rendering this opinion, I have examined the following documents:

- (i) The Indenture;
- (ii) The Installment Sale Agreement, dated as of March 1, 2016 (the "Installment Sale Agreement") between the City and the Authority;
- (iii) The Purchase Contract; and
- (iv) The Official Statement (the "Official Statement") dated February __, 2016, relating to the Bonds.

In addition, I have examined such other documents and instruments, including certificates of public officials, and have made such investigations of law and of fact as I have deemed necessary or appropriate for the purpose of rendering the opinions set forth herein.

Based on the foregoing, I am of the opinion that:

The Authority is a joint exercise of powers entity duly organized under the laws of the State of California.

Resolution No. 2016-__ (the "Resolution") approving and authorizing the issuance of the Series 2016 Bonds and the execution and delivery of the Indenture, the Installment Sale Agreement,

the Purchase Contract and the Official Statement was duly adopted by the Authority at a regular meeting of the Board of Directors of the Authority held on February 17, 2016, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

There is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, public board or body pending (with service of process having been accomplished) or, to my current actual knowledge after reasonable investigation, threatened against or affecting the Authority in any way contesting or affecting the validity of the Bonds, the Indenture, the Installment Sale Agreement or the Purchase Contract or the sources of payment for the Bonds.

The issuance of the Bonds and the execution and delivery of the Indenture, the Installment Sale Agreement, the Purchase Contract and the Official Statement by the Authority, the adoption of the Resolution, and compliance by the Authority with the provisions of the foregoing, as appropriate, under the circumstances contemplated thereby, does not and will not in any material respect conflict with or constitute on the part of the Authority a breach or default under any agreement or other instrument to which the Authority is a party (and of which I have current actual knowledge after reasonable investigation) or by which it is bound (and of which I have current actual knowledge after reasonable investigation) or any existing law, regulation, court order or consent decree to which the Authority is subject.

The Official Statement and the Bonds have been duly authorized, executed and delivered by the Authority, and the Indenture, the Installment Sale Agreement and the Purchase Contract have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture, the Installment Sale Agreement and the Purchase Contract constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their respective terms, subject in each case to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles; provided, that the enforceability of the foregoing agreements may be subject or limited by the unenforceability under certain circumstances of provisions imposing penalties, forfeitures or late payment charges upon delinquency in payment or the occurrence of a default, and no opinion is expressed as to any indemnification provisions contained therein.

Except as described in the Official Statement, no authorization, approval, consent or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the Authority is required for the valid authorization, execution, delivery and performance by the Authority of the Bonds, the Indenture, the Installment Sale Agreement, the Official Statement or the Purchase Contract or for the adoption of the Resolution which has not been obtained; provided, that no opinion is expressed with respect to qualification under Blue Sky or other state securities laws.

Sincerely,

EXHIBIT D
OPINION OF THE CITY ATTORNEY

[DATE OF DELIVERY]

J.P. Morgan Securities LLC
San Francisco, California

Lodi Public Financing Authority
\$ _____ 2016 Refunding Wastewater Revenue Bonds, Series A

Dear Ladies and Gentlemen:

I am City Attorney to the City of Lodi (the "City"), a municipal corporation and general law city duly organized and existing under the Constitution and laws of the State of California (the "State"). This opinion is rendered in connection with the issuance of the above-referenced bonds (the "Bonds"). The Series 2016 Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated as of March 1, 2016, by and between the Lodi Public Financing Authority (the "Authority") and Union Bank, N.A., as trustee (the "Trustee"). The Bonds were sold to J.P. Morgan Securities LLC (the "Underwriter"), pursuant to a Bond Purchase Agreement, dated February __, 2016 (the "Purchase Contract"), among the Underwriter, the City of Lodi (the "City") and the Authority. This letter is being delivered in my capacity as counsel to the City and not as counsel to the Underwriter.

In rendering this opinion, I have examined the following documents: (i) an Installment Sale Agreement, dated as of March 1, 2016 (the "Installment Sale Agreement") between the City and the Authority; (ii) the Purchase Contract; (iii) the Escrow Agreement; (iv) the Official Statement (the "Official Statement") dated February __, 2016, relating to the Bonds; and (v) the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), dated as of the date hereof, relating to the Bonds.

In addition, I have examined such other documents and instruments, including certificates of public officials, and have made such investigations of law and of fact as I have deemed necessary or appropriate for the purpose of rendering the opinions set forth herein.

Based on the foregoing, I am of the opinion that:

The City is a municipal corporation and general law city duly organized under the laws of the State of California.

Resolution No. 2016-__ (the "Resolution") approving and authorizing the issuance of the Series 2016 Bonds and the execution and delivery of the Installment Sale Agreement, the Purchase Contract, the Continuing Disclosure Certificate, Escrow Agreement and the Official Statement was duly adopted by the City at a meeting of the City Council of the City held on February 17, 2016, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body pending (with service of process having been accomplished) or, to my current actual knowledge after reasonable investigation, threatened against or affecting the City's

financial condition or operation or in any way contesting or affecting the validity of the Installment Sale Agreement, the Purchase Contract or the Continuing Disclosure Certificate or the sources of payment for the Series 2016 Bonds.

The execution and delivery of the Installment Sale Agreement, the Purchase Contract, the Escrow Agreement, the Continuing Disclosure Certificate and the Official Statement by the City, the adoption of the Resolution, and compliance by the City with the provisions of the foregoing, as appropriate, under the circumstances contemplated thereby, does not and will not in any material respect conflict with or constitute on the part of the City a breach or default under any agreement or other instrument to which the City is a party (and of which I have current actual knowledge after reasonable investigation) or by which it is bound (and of which I have current actual knowledge after reasonable investigation) or any existing law, regulation, court order or consent decree to which the City is subject.

The Official Statement has been duly authorized, executed and delivered by the City, and the Installment Sale Agreement, the Purchase Contract, the Escrow Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, the Installment Sale Agreement, the Purchase Contract and the Continuing Disclosure Certificate constitute legal, valid and binding agreements of the City, enforceable in accordance with their respective terms, subject in each case to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles; provided, that the enforceability of the foregoing agreements may be subject or limited by the unenforceability under certain circumstances of provisions imposing penalties, forfeitures or late payment charges upon delinquency in payment or the occurrence of a default, and no opinion is expressed as to any indemnification provisions contained therein.

Except as described in the Official Statement, no authorization, approval, consent or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the City is required for the valid authorization, execution, delivery and performance by the City of the Installment Sale Agreement, the Official Statement, the Purchase Contract, the Escrow Agreement or the Continuing Disclosure Certificate or for the adoption of the Resolution which has not been obtained; provided, that no opinion is expressed with respect to qualification under Blue Sky or other state securities laws.

Under the laws of the State of California, and subject to the requirements of Proposition 218, the City has the authority to fix and collect charges for sewer service and is not presently subject to the regulatory jurisdiction of any state, regional or local governmental regulatory authority in connection with fixing and collecting such charges.

The Net System Revenues (as defined in the Official Statement) are free and clear of and from any and all liens and encumbrances other than as set forth in the Official Statement.

I am not passing upon and have not undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement and I am, therefore, unable to make any representation to you in that regard. However based on my ongoing role as City Attorney and my participation in conferences with representatives of the City, the City's Financial Advisor, and others, during which conferences the content of the Official Statement and related matters were discussed, and, in reliance thereon and on certain documents reviewed by me and on the

documents, letters, certificates and opinions described above and my understanding of applicable law, I advise you as a matter of fact, but not opinion, that no information has come to my attention which caused me to believe that the Official Statement as of its date contained, or as of the date hereof contains, any untrue statement of a material fact or as of its date omitted, or as of the date hereof omits, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (excluding any CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, the Appendices thereto, and information regarding DTC and its book- entry only system contained in the Official Statement, as to which no opinion is expressed).

Sincerely,

City Attorney

By: _____

Attachment to Council Communication

DRAFT OPINION LETTER OF JONES HALL (Bond Counsel)

March __, 2016

Lodi Public Financing Authority
221 West Pine Street
Lodi, CA 95240

OPINION: \$_____ Lodi Public Financing Authority 2016 Refunding Wastewater
Revenue Bonds, Series A

Members of the Board of Directors of the Authority:

We have acted as bond counsel to the Lodi Public Financing Authority (the "Authority") in connection with the issuance by the Authority of the captioned bonds dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), the Indenture of Trust, dated as of March 1, 2016 (the "Indenture"), by and between the Authority and Union Bank, N.A., as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted February __, 2016. Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including installment payments made by the City of Lodi (the "City") under an Installment Purchase Agreement dated as of March 1, 2016 (the "Installment Purchase Agreement") between the Authority and the City.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the City contained in the Installment Purchase Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.

2. The City is a duly created and validly existing general law city with the power to enter into the Installment Purchase Agreement and perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Installment Purchase Agreement has been duly authorized, executed and delivered by the Authority and the City, and constitutes a valid and binding obligation of the Authority and the City, enforceable against the Authority and the City.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued under the Indenture.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our

attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

Attachment to Council Communication

DRAFT CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
LODI PUBLIC FINANCING AUTHORITY
2016 REFUNDING WASTEWATER REVENUE BONDS, SERIES A

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the CITY OF LODI (the "City") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of March 1, 2016 (the "Indenture"), by and between the City and MUFG Union Bank, N.A., as trustee.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is 9 months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" means the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means J.P. Morgan, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2017, with the report for the 2015-16 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following financial information and operating data:

(i) Principal amount of Bonds outstanding as of the immediately preceding October 1.

(ii) A description of any Parity Debt incurred by the City in the most recently-completed fiscal year.

(iii) Information for the most recently-completed fiscal year in the form of Table 2 (Number of Connections by User Type).

(iv) Information for the most recently-completed fiscal year in the form of Table 3 (Largest Users by Service Charge Revenues).

(v) Information for the most recently-completed fiscal year in the form of Table 4 (Schedule of Wastewater Service Charges).

(vi) Information for the most recently-completed fiscal year in the form of Table 7 (Historical Operating Results and Debt Service Coverage).

(vii) Information for the most recently-completed fiscal year in the form of Table 9 (Historical Reserve Balances).

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver,

fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March __, 2016

CITY OF LODI

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Lodi Public Financing Authority

Name of Issue: Lodi Public Financing Authority 2016 Refunding Wastewater Revenue Bonds, Series A

Date of Issuance: March __, 2016

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated March __, 2016. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____