



## AGENDA

Victor P. Lopez, Mayor

Diana Guerra Silva, Mayor Pro Tem  
Roy Rodriguez, Council Member

Josie Cervantes, Council Member  
Esperanza Rodriguez, Council Member

WEDNESDAY, JANUARY 26, 2022 - 6:30 P.M.

### TELECONFERENCE ONLY

(CALL 1-720-740-9780 ACCESS CODE 1060550#)

#### A. Call to Order/Welcome

Roll Call  
Invocation  
Flag Salute

#### B. Confirmation of Agenda

#### C. Administration

##### City Engineer

1. **SUBJECT:** Monthly update report on City Projects Presented by City Engineer Alfonso Manrique.

**Recommendation:** Informational item Only

2. **SUBJECT:** Cost Proposal from Burke Construction for the Construction of the City Hall Remodel Project

**Recommendation:** Council to approve Resolution No. 2022-04 Cost Proposal from Burke Construction dated December 18, 2021

3. **SUBJECT:** Receive Input from City Council for Potential Beautification Projects for the Clean California Local Grant Program

**Recommendation:** Staff is seeking input from City Council regarding potential beautification projects that the city can apply for through the Clean California Local Grant Program.

4. **SUBJECT:** Receive Input from City Council Regarding Additional Recreation Features to Include in the Eaton Park Rehabilitation Project

**Recommendation:** Staff is seeking input from City Council regarding what additional recreation features should be included in the Eaton Park Rehabilitation Project that is to be funding through Proposition 68 Per Capita grant funds.

**Chief of Police:**

5. **SUBJECT:** Monthly Activity Report by Police Chief Marty Rivera

**Recommendation:** Informational Item Only

**Public Works Department**

6. **SUBJECT:** Monthly update report on Public Works Department by Interim Public Works Superintendent Andy Valencia

**Recommendation:** Informational Item Only

**Planning Department**

7. **SUBJECT:** Monthly update report on City Projects Presented by Planner Shun Patlan

**Recommendation:** Informational Item Only

8. **SUBJECT:** Update Report on the Orange Blossom Heights Project on the corner of Adams and Jacobs

**Recommendation:** Council to give staff direction

**Interim City Manager:**

9. **SUBJECT: Public Hearing** regarding the Energy Service Contract for Energy Related Improvements to City Facilities with SITELOGIQ

**Recommendation:** Council to approve Sitelogiq's Construction Agreement and Operations & Maintenance Agreement and to approve the attached 4217, CEQA exemption and CEC resolutions which authorizes the City Manager and Sitelogiq to submit the loan documents to the CEC

- a. **Resolution No. 2022-02** RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ORANGE COVE AUTHORIZING SITELOGIQ AND CITY MANAGER TO COMPLETE AND SUBMIT ALL NECESSARY DOCUMENTS AND APPLICATION FOR THE CEC ECAA LOAN PROGRAM AND FINDING THE ACTIVITY FUNDED BY SUCH LOAN TO BE EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT
- b. **Resolution No. 2022- 03** APPROVAL OF FINDINGS FOR GOVERNMENT CODE SECTION 4217.10-4217.18, APPROVAL OF FACILITY SOLUTIONS AGREEMENT BETWEEN CITY OF ORANGE COVE "CITY" FOR THE PURPOSE OF CONSTRUCTION, INSTALLATION OF ENERGY EFFICIENCY AND RENEWABLE GENERATION MEASURES ON SELECTED CITY SITES,

10. **SUBJECT:** Financial Updates

**Recommendation:** Informational Item Only

11. **SUBJECT:** Presentation of Fiscal Year 2019-2020 Audit Report

**Recommendation:** File Only

**F. Public Forum**

Members of the public wishing to address the City Council on an item that is not on the agenda may do so now. No action will be taken by the City Council this evening. But items presented may be referred to the City Manager for follow up and a report. In order to allow time for all comments, each individual is limited to three minutes. When addressing the Council, you are requested to come forward to the speaker's microphone, state your name and address, and then proceed with your comments.

**G. City Manager's Report**

**H. City Attorney's Report**

## **I. City Council Communications**

## **J. Closed Session:**

### **12. Conference with Labor Negotiators (Government Code Section 54957.6)**

- a. City Designated Representative: Rudy Hernandez, Interim City Manager
- b. Employee Organization: International Union of Operating Engineers, Stationary Engineers, Local 39

### **13. Performance Evaluation pursuant to Government Code Section 54957**

Title: City Attorney

### **14. Public Employee – Discipline, Release and Complaint pursuant to Government Code Section 54957**

## **K. Reconvene Council Meeting**

## **L. Adjournment**

**ADA Notice:** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk at (559) 626-4488 ext. 214. Notification 48 hours prior to the meeting will enable the city to make arrangements to ensure accessibility to this meeting.

**Documents:** Any writings or documents provided to a majority of the City Council regarding any item on this agenda will be made available for public inspection at front counter at City Hall and at the Orange Cove Library located at 815 Park Blvd., Orange Cove, CA during normal business hours. In addition, most documents are posted on City's website at [cityoforange Cove.com](http://cityoforange Cove.com).

## **STATEMENT ON RULES OF DECORUM AND ENFORCEMENT**

The Brown Act provides that members of the public have a right to attend public meetings, to provide public comment on action items and under the public forum section of the agenda, and to criticize the policies, procedures, or services of the city or of the acts or omissions of the city council. The Brown Act also provides that the City Council has the right to exclude all persons who willfully cause a disruption of a meeting so that it cannot be conducted in an orderly fashion.

During a meeting of the Orange Cove City Council, there is a need for civility and expedition in the carrying out of public business in order to ensure that the public has a full opportunity to be heard and that the Council has an opportunity to conduct business in an orderly manner. The following is provided to place everyone on notice of the rules of decorum and enforcement.



## **GENERAL RULES OF DECORUM**

While any meeting of the City Council is in session, the following rules of decorum shall be observed:

1. All remarks shall be addressed to the City Council as a whole and not to any single member, unless in response to a question from a member of the City Council.
2. A person who addresses the City Council under public comment for a specific agenda item or under the Public Forum section of the agenda may not engage in speech or conduct (i) which is likely to provoke others to violent or riotous behavior, (ii) which disturbs the peace of the meeting by loud and unreasonable noise, (iii) which is irrelevant or repetitive, or (iv) which disrupts, disturbs, or otherwise impedes the orderly conduct of any City Council meeting.
3. A person, other than members of the Council and the person, who has the floor, shall not be permitted to enter into the discussion unless requested by the mayor to speak.
4. Members of the City Council may not interrupt a person who has the floor and is making public comments. Members of the City Council shall wait until a person completes his or her public comments before asking questions or commenting. The mayor shall then ask Councilmembers if they have comments or questions.
5. No person in the audience at a Council meeting shall engage in disorderly or boisterous conduct, including the utterance of loud, threatening or abusive language, whistling, stamping of feet or other acts which disturb, disrupt or otherwise impede the orderly conduct of any Council meeting.

## **ENFORCEMENT OF DECORUM RULES**

(Resolution No. 2012-16)

While the City Council is in session, all persons must preserve order and decorum. A person who addresses the city council under public comment for a specific agenda item or under the Public Forum section of the agenda may not engage in speech or conduct which is likely to provoke others to violent or riotous behavior, which disturbs the peace of the meeting by loud and unreasonable noise, which is irrelevant or repetitive, or which disrupts, disturbs, or otherwise impedes the orderly conduct of any City Council meeting.

The mayor or other presiding officer shall request that a person who is breaching the rules of decorum cease such conduct. If after receiving such a warning, the person persists in breaching the rules of decorum, the mayor or other presiding officer may order the person to leave the City Council meeting. If such person does not leave, the mayor or presiding officer may request any law enforcement officer who is on duty at the meeting as sergeant-at-arms to remove the person from the Council Chambers. In

the event there is no one from law enforcement present, the mayor or presiding officer may direct the City Manager to contact law enforcement.

In accordance with the Point of Order Rule 4.6, the majority of the Council may overrule the mayor if the majority of the Council believes the mayor or other presiding officer is not applying the rules of decorum appropriately.

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## ENGINEER'S REPORT

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**TO:** CITY COUNCIL  
**FROM:** ALFONSO MANRIQUE, PE  
AM CONSULTING ENGINEERS, INC.

**SUBJECT:** PROJECT PROGRESS UPDATE

**DATE:** JANUARY 26, 2022

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This Engineer's Report provides an update on the progress made on the various projects since December 14, 2021, that Staff is currently working on:

1. FHWA Projects

a. Adams Avenue Reconstruction Between Center Avenue to 4th Street

The project is now closed out with the Contractor. The City has provided AJ Excavation with the executed Settlement Agreement that was approved by City Council on December 14, 2021, and the City has paid the remaining contract amount of \$56,606.21. Staff is currently working internally with Caltrans on processing the remaining invoices for reimbursement.

b. CMAQ Ally Paving Project

Staff has submitted a Preliminary Environmental Study (PES) to Caltrans for their approval. Once the PES has been deemed complete, staff will proceed with submitting the required Right-of-Way documents and the Request for Authorization for Construction to Caltrans. Staff is estimating that the Project will go out to bid by Spring.

c. E. Railroad Ave Culvert Replacement

On October 1, 2021, Staff submitted an application to the Fresno COG for the FY 2021-22 Surface Transportation Block Grant (STBG) Program, requesting \$176,080 in additional funding for the construction of the E. Railroad Culvert Project. The project consists of replacing the existing culvert that runs from 3rd Street to E Railroad Ave with new storm drain manholes and pipeline and reconstruction a portion of E. Railroad Ave. On December 12, 2021, Staff was notified by the Fresno COG that the City's STBG application was recommended to receive funding by the scoring committee. The scoring committees list of recommended projects will be presented to the Fresno COG Policy Board for approval at their meeting this month. The additional funding will be programed for federal FY 2022-23.

2. American Rescue Plan

a. Water Treatment Plant Booster Pump Station

Plans and specifications are nearing completion; however, staff has some uncertainty regarding the layout of the underground piping. Staff received a proposal \$10,000 to conduct potholing in order determine the location of the underground pipe. Staff is evaluating whether Public Works staff can perform the potholing instead of hiring an outside contractor.

b. Wastewater Treatment Plant RAS Pump Station

The electrical plans are currently being prepared. Once these plans are complete, the plans and specifications will be finalized.

c. City Hall Front Office and Flooring Remodel

Staff has received three quotes from contractors for the front office and flooring remodel project. For tonight's meeting, staff has prepared a staff report presenting each proposal and is recommending that Council award the project to the selected contractor.

3. EDA Off-site Improvements at Northwest Corner of Park Blvd and Anchor Ave

The Finding of No Significant Impact was signed off by the EDA on January 12<sup>th</sup>. The EDA is currently preparing the contract Amendment, which they estimate will be available for the City to sign in the next few weeks.

4. No Kid Hungry Grant

With the assistance of Save the Children, Councilwoman Hope Rodriguez, and several volunteers, the City was able to hold three food distributions on December 4<sup>th</sup>, 11<sup>th</sup>, and 23<sup>rd</sup>.

5. 2021 Small Community Drought Relief Program

Staff has found a 14-acre property located in Reedley. Staff submitted a request to DWR last Thursday requesting approval to proceed with the purchase of this property. If approved by DWR staff will present the purchase agreement to City Council at the first meeting in February and Staff will proceed with opening escrow and allow a 1-year due diligence period to be able to drill the test well and prepare the environmental documentation. If the test well confirms the availability of good water and the environmental document doesn't reveal any issues the City can proceed with the purchase.

6. Proposition 68 Grant Applications

Staff attended a mandatory grant administration workshop on January 13<sup>th</sup>. Staff is currently waiting to receive the contract from the Project Manager.

7. Proposition 68 Per Capita Grant

On December 17<sup>th</sup>, Staff submitted a revised application to the State Parks Department requesting to use the \$184,049 in per capita funds through Proposition 68 on the Eaton Park Rehabilitation Project. In addition to the rehabilitation of the existing playground structure, staff has prepared a Staff Report that details additional recreation items that the City can use the remaining funds on. Staff is requesting Council's recommendation on what additional items should be included in the Project.

8. Clean California Local Grant Program

Caltrans has released a new call for projects for a competitive statewide grant program created to beautify and clean up local streets and roads, parks, pathways, transit centers, and other public spaces. Eligible activities include the installation of pavement alternatives, construction of shade structures, irrigation systems, fencing, LED lighting, walking or biking facilities, seating and playground equipment, public restrooms, water fountains, and trash receptacles. Staff has prepared a Staff Report for tonight's meeting to seek Council's input for potential beautification projects within the City.


9. Victor P. Lopez Community Center Repairs

Staff is currently working on obtaining quotes for various repairs at the Community Center including the plumbing, HVAC units, and roof. Staff plans to present the quotes to City Council at the next City Council meeting.



## CITY OF ORANGE COVE REPORT TO THE CITY COUNCIL

**To:** Orange Cove City Council

**From:** Alfonso Manrique, City Engineer 

**Subject:** Approve Cost Proposal from Buke Construction for the Construction of the City Hall Remodel Project

**Attachments:** Resolution No. 2022-04  
Cost Proposal from Buke Construction dated December 18, 2021

### RECOMMENDATION:

Staff recommends that City Council approve the attached cost proposal from Buke Construction dated December 18, 2021, for the construction of the City Hall Remodel Project and authorize the Interim City Manager to use American Rescue Plan funds for the construction of the Project.

### BACKGROUND:

On March 11, 2021, President Biden signed the \$1.9 trillion American Rescue Plan Act of 2021. This economic stimulus bill includes \$350 billion in direct, flexible aid to states, territories, tribes, cities, and counties. These funds must be spent by December 31, 2026 and must be used on COVID related expenses.

The Orange Cove City Hall is in desperate need of repairs. The existing carpet throughout the building and tile flooring in the bathrooms is rundown and difficult to clean and sanitize. Staff is proposing to replace the existing flooring with new laminate flooring, which will improve the quality of the building and make it easier for janitorial staff to keep clean. Additionally, the desk area in the front office has been in place for several decades and the existing layout make it difficult to implement COVID-19 related protection to keep staff safe and healthy. Staff is also proposing to replace the existing desks with new desks that will allow the City to implement COVID-19 safety measures.

Prepared by: AM Consulting Engineers

Approved by: Alfonso Manrique

REVIEW: City Manager: \_\_\_\_\_

Finance: \_\_\_\_\_

City Attorney: \_\_\_\_\_

#### TYPE OF ITEM:

#### COUNCIL ACTION: APPROVED DENIED NO ACTION

\_\_\_\_ Consent  
\_\_\_\_ Info Item  
☒ Action Item  
\_\_\_\_ Department Report  
\_\_\_\_ Redevelopment Agency

\_\_\_\_ Public Hearing  
\_\_\_\_ Matter Initiated by a Council Member  
\_\_\_\_ Other  
\_\_\_\_ Continued to: \_\_\_\_\_

On October 13, 2021, City Council authorized the Interim City Manager to solicit proposals for the construction of the City Hall Remodel Project (Project) and to use American Rescue Plan Funds for the design and construction costs. To date, Staff has received two proposals from licensed contractors. The lowest proposal was submitted by Buke Construction in the amount of \$102,300. The results are summarized in the table below.

<b>Contractor</b>	<b>Cost Proposal</b>
Burke Construction	\$102,300.00
Rakkar Development & Construction	\$102,758.00

As shown in the attached proposal, the Burke Construction's scope of work will include the following:

1. Remove and replace furniture to facilitate to phases of flooring replacement.
2. Demolish existing flooring and quarter-round throughout.
3. Remove & re-install toilets to facilitate new work in restrooms.
4. Furnish and install laminate flooring throughout first and second floor and new quarter-round.
5. Furnish and install new rubber base in restrooms.
6. Furnish and install rubber stair nosings.
7. Perform minor floor preparation which is limited to self-leveling at 1st floor restroom and skim coating with Ardex feather finish.
8. Detail, fabricate and install new entry desk with melamine/wood veneer die walls, quartz countertop (transaction top), plastic laminate base cabinets (shaker style), melamine door and bead board trim.

**FISCAL IMPACT:**

All costs associated with this Project will be paid for with American Rescue Plan funds.

**CONFLICT OF INTEREST:**

None.

RESOLUTION NO. 2022-04

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ORANGE COVE  
AWARDING COST PROPOSAL FOR THE CITY HALL REMODEL PROJECT TO BURKE  
CONSTRUCTION CO. FOR \$102,300 AND AUTHORIZE THE INTERIM CITY MANAGER  
TO USE AMERICAN RESCUE PLAN FUNDS FOR THE CONSTRUCTION OF THE  
PROJECT

WHEREAS, President Biden signed the \$1.9 trillion American Rescue Plan Act of 2021 on March 11, 2021; and

WHEREAS, this economic stimulus bill includes \$350 billion in direct, flexible aid to states, territories, tribes, cities, and counties

WHEREAS, these funds must be used on COVID-19 related expenses by December 31, 2026; and

WHEREAS, the City Hall building requires significant repairs in order to implement COVID-19 related protections that will keep staff safe and healthy; and

WHEREAS, on October 13, 2021, the City Council authorized the Interim City Manager to solicit proposals for the construction of the City Hall Remodel Project (Project) and to use American Rescue Plan Funds for the construction of the Project; and

WHEREAS, proposals for the construction of the Project were solicited from qualified contractors; and

WHEREAS, the lowest responsive and responsible proposal was submitted by Burke Construction Co. in the amount of \$102,300.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Orange Cove, California, as follows:

1. The above recitals are true and correct and are adopted as the findings of the City Council.
2. The cost proposal for the City Hall Remodel Project is hereby awarded to Burke Construction Co. in the amount of One Hundred Two Thousand Three Hundred Dollars and No Cents (\$102,300.00).
3. The Interim City Manager is authorized to sign an Agreement with Burke Construction Co. on behalf of the City of Orange Cove.
4. The Interim City Manager is authorized to use American Rescue Plan funds for the construction of the Project.
5. The provisions of this Resolution are severable and if any provision, clause, sentence, word, or part thereof is held illegal, invalid, unconstitutional, or inapplicable to any person or circumstances, such illegality, invalidity, unconstitutionality, or inapplicability shall not affect or impair any of the remaining provisions, clauses, sentences, sections, words or parts thereof of the Resolution or their applicability to other persons or circumstances.
6. That the City Clerk shall certify to the adoption of this Resolution and that the same shall be in full force and effect.

This resolution was adopted at a Regular Meeting of the City Council of the City of Orange Cove held on January 26, 2022 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Victor P. Lopez, Mayor

ATTEST:

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June Bracamontes, City Clerk





15115 Torrey Pines Circle  
Chowchilla, CA 93610  
559.201.9335 | burkediversified.com

December 18, 2021

AM Consulting Engineers  
Attn: Mathew Bullis, P.E.  
5150 N Sixth Street, Suite 124  
Fresno, CA 93710

Re: City of Orange Cover - City Hall Remodel  
Construction Cost Proposal

Mr. Bullis,

Burke Diversified dba Burke Construction Co. is pleased to propose on the construction of the City Hall Remodel for the City of Orange Cove.

The following work can be performed for One Hundred Thousand Three Hundred Dollars (\$100,300.00):

- 1) Remove and replace furniture to facilitate to phases of flooring replacement.
- 2) Demolish existing flooring and quarter-round throughout.
- 3) Remove & re-install toilets to facilitate new work in restrooms.
- 4) Furnish and install Mohaw Grown-up LVT (Kingsley-138) throughout first and second floor and new quarter-round.
- 5) Furnish and install new rubber base in restrooms.
- 6) Furnish and install rubber stair nosings.
- 7) Perform minor floor preparation which is limited to self-leveling at 1<sup>st</sup> floor restroom and skim coating with Ardex feather finish.
- 8) Detail, fabricate and install new entry desk with melamine/wood veneer die walls, quartz countertop (transaction top), plastic laminate base cabinets (shaker style), melamine door and bead board trim.

Please note the following clarifications and alternate.


- 1) We plan to perform the work in two phases. First phase would include approximately ½ of the first floor and ½ of the second floor. We plan to relocate furniture after normal business hours to reduce disruption. Balance of work to be performed in normal business hours.
- 2) If Mohawk Solve II Carpet Tile (Cosmos-859) is used in 2<sup>nd</sup> floor Conference Area, please deduct \$5,108 from the proposed price.

**INTEGRITY • RESPECT • GRIT**



## CITY OF ORANGE COVE REPORT TO THE CITY COUNCIL

**To:** Orange Cove City Council

**From:** Alfonso Manrique, City Engineer 

**Subject:** Receive Input from City Council for Potential Beautification Projects for the Clean California Local Grant Program

**Attachments:** None

### **RECOMMENDATION:**

Staff is seeking input from City Council regarding potential beautification projects that the City can apply for through the Clean California Local Grant Program.

### **BACKGROUND:**

The Clean California Local Grant Program (CCLGP) is a competitive statewide program created to beautify and clean up local streets and roads, tribal lands, parks, pathways, transit centers, and other public spaces. The total program budget is \$296 million, with a maximum individual grant award of \$5 million. The CCLGP is intended to achieve the following goals:

- Reduce the amount of waste and debris within public rights-of-way, pathways, parks, transit centers, and other public spaces.
- Enhance, rehabilitate, restore, or install measures to beautify and improve public spaces and mitigate the urban heat island effect.
- Enhance public health, cultural connections, and community placemaking by improving public spaces for walking and recreation.
- Advance equity for underserved communities.

Staff is requesting City Council's input on potential projects that can be included in the City's application that is due February 1, 2022. Eligible types of projects may include, but are not limited

Prepared by: AM Consulting Engineers

Approved by: Alfonso Manrique

REVIEW: City Manager: \_\_\_\_\_

Finance: \_\_\_\_\_

City Attorney: \_\_\_\_\_

**TYPE OF ITEM:**                      **COUNCIL ACTION:**    **APPROVED**    **DENIED**    **NO ACTION**

\_\_\_\_ Consent  
X    Info Item  
\_\_\_\_ Action Item  
\_\_\_\_ Department Report  
\_\_\_\_ Redevelopment Agency

\_\_\_\_ Public Hearing  
\_\_\_\_ Matter Initiated by a Council Member  
\_\_\_\_ Other  
\_\_\_\_ Continued to: \_\_\_\_\_

to community litter abatement, beautification, and litter abatement events and educational programs. Examples include beautifying community parks, transit centers, park-and-ride facilities, and pedestrian pathways. Eligible expenses can include shade trees or structures, art installations, play equipment, public restrooms, water fountains, amenities related to proper waste collection and prevention, and other beautification elements. Projects may not displace the homeless.

**FISCAL IMPACT:**

There is no fiscal impact associated with gathering project ideas.

**CONFLICT OF INTEREST:**

None.



## CITY OF ORANGE COVE REPORT TO THE CITY COUNCIL

**To:** Orange Cove City Council  
**From:** Alfonso Manrique, City Engineer  
**Subject:** Receive Input from City Council Regarding Additional Recreation Features to Include in the Eaton Park Rehabilitation Project  
**Attachments:** None

### RECOMMENDATION:

Staff is seeking input from City Council regarding what additional recreation features should be included in the Eaton Park Rehabilitation Project that is to be funding through Proposition 68 Per Capita grant funds.

### BACKGROUND:

The City received an allocation of \$184,049 in per capita funds through Proposition 68 in 2021. At the time the application was submitted it was decided that the funds would be used for the construction of a new splash pad at Eaton Park. However, due to the outcome of the Utility User Tax Measure and since Eaton Park was not awarded additional grant funding through the Round 4 of Proposition 68 Statewide Parks Program, City Council decided to use these funds for the rehabilitation of the Eaton Park Playground Structure at the December 14<sup>th</sup> Council meeting.

Staff has received quotes for the rehabilitation of the playground structure and approximately \$117,000 remaining grant funds is still available to use for additional recreational features. Additional recreational features may replace the site lighting with taller LED lights, rehabilitating the bathrooms, constructing new swings and other types of playground equipment re-seeding the grass, constructing shaded areas, restriping the existing basketball court, installing new basketball backboards and installing new benches.

Prepared by: AM Consulting Engineers

Approved by: Alfonso Manrique

REVIEW: City Manager: \_\_\_\_\_

Finance: \_\_\_\_\_

City Attorney: \_\_\_\_\_

### TYPE OF ITEM:

COUNCIL ACTION: APPROVED DENIED NO ACTION

☐ Consent  
☒ Info Item  
☐ Action Item  
☐ Department Report  
☐ Redevelopment Agency

☐ Public Hearing  
☐ Matter Initiated by a Council Member  
☐ Other  
☐ Continued to: \_\_\_\_\_

**FISCAL IMPACT:**

The City will use Proposition 68 grant funds to construct the additional recreation features to be included in the Eaton Park Rehabilitation Project.

**CONFLICT OF INTEREST:**

None.



**Marty Rivera**  
Chief of Police

## ORANGE COVE ANIMAL CONTROL STATISTICAL ACTIVITY REPORT

**MONTH: December**

**OFFICER: R. DIAZ**

<b>BITE REPORTS</b>	Dog V. Dog
<b>PRIOR MONTH STRAYS</b>	7 from November
<b>STRAY DOGS</b>	11 Picked up in December
<b>EUTHANIZED DOGS</b>	0
<b>ADOPTED DOGS</b>	0
<b>RESCUED DOGS</b>	9 In December
<b>INJURED STRAY DOGS</b>	
<b>ANIMAL CRUELTY INVESTIGATIONS</b>	None
<b>RELEASED DOGS TO OWNER</b>	3
<b>CITATIONS ISSUED</b>	0
<b>QUARANTINED DOGS</b>	
<b>OTHER ANIMAL</b>	
<b>MISC</b>	1 Deceased dog
<b>DOGS IN SHELTER</b>	5 Dogs in shelter

<b>NOTES</b>	
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## **POLICE DEPARTMENT MONTHLY REPORT**

**January 12, 2022**

**Staff.** Antonio Martinez is progressing well in the FTO Training. Officer Jeremy Knoy started on January 10<sup>th</sup>. He has had some prior experience. We will not be filling the other Reserve Position that was approved on the 21-22 budget.

**Office Clerk** Janeyra Quinteros who was previously working part time is now full time on the allocated 21-22 budget. That will be a big help in keeping up with everything required to keep records functioning properly.

**Animal Shelter....**Is running very well. See attached report.

**Events:** Xmas tree lighting and Toy Drive were both a success.

Tobacco Grant Quarterly Report is due on January 15<sup>th</sup>, currently working on it.

**Vehicles.** The two SUVs we ordered early 2021 are now in service.. We cut out the vehicle that was on the 21-22 budget. In regards to the **animal control vehicle**, we are looking at options to cut any costs when we do get the vehicle.

**Covid 19:** In regards to COVID CASES., Orange Cove is doing better than most of the county. We had 22 cases in December down from 93 in November. Omicron is what is making the cases go up, but the effects are not as serious, they are mostly upper respiratory in nature.





# ORANGE COVE POLICE DEPARTMENT

## DECEMBER 2021 MONTHLY STATISTICS

CHIEF OF POLICE - MARTY RIVERA



### PART 1 CRIMES

	NOV 2021	DEC 2021	% Change	YTD 2020	YTD 2021
Homicide	0	0	0%	0	0
Rape	0	0	0%	0	0
Attempted Murder	0	1	100%	0	2
Robbery	1	0	-100%	3	2
Assault	0	0	0%	9	5
Burglary	0	3	300%	20	20
Grand Theft Auto	0	0	0%	25	12
<b>Total Part 1 Crimes</b>	<b>1</b>	<b>4</b>	<b>300%</b>	<b>57</b>	<b>41</b>

	NOV 2021	DEC 2021	% Change	YTD 2020	YTD 2021
Sex Crimes	1	0	-100%	13	13
Narcotics	3	1	-67%	52	30
Child Abuse	1	0	-100%	10	8
<b>Total Part 2 Crimes</b>	<b>5</b>	<b>1</b>	<b>-80%</b>	<b>75</b>	<b>51</b>

	NOV 2021	DEC 2021	% Change	YTD 2020	YTD 2021
Total Traffic Collisions	1	5	400%	43	41
Fatalities	0	0	0%	0	0
Injury	0	0	0%	4	1
Non Injury	1	2	100%	19	20
Hit & Run	0	3	300%	20	20

### ENFORCEMENT STATISTICS

	NOV 2021	DEC 2021	% Change	YTD 2020	YTD 2021
Total Traffic Citations	14	15	7%	350	277
Total Vehicle Stops	77	62	-19%	1,217	1,088
Seatbelt Violations	0	0	0%	9	14
Unsafe Speed Violations	0	0	0%	14	16
Fail To Obey Stop Sign/Light	3	3	0%	65	71
Driving Under the Influence	2	1	-50%	19	17
Gang Arrests - Felony	0	0	0%	1	0
Gang Arrests - Misdemeanor	0	0	0%	0	0
Gang Field Interview Cards	0	1	100%	34	22
Juvenile Detentions/Arrests	0	1	100%	9	8
Adult Arrests	17	6	-65%	111	137

	NOV	DEC	%	YTD	YTD
	2021	2021	Change	2020	2021
5150	4	2	-50%	45	52
Agency Assist	7	10	43%	107	99
Battery	2	1	-50%	16	19
Evading/Obstructing Officer	2	2	0%	18	14
Fraud	1	0	-100%	12	3
Identity Theft	0	0	0%	6	5
Spousal Abuse	6	6	0%	66	60
Graffiti/Vandalism	5	5	0%	65	41
Veh. Burglaries	1	1	0%	7	8
General Incidents	10	21	110%	199	175
Weapons Confiscated	0	1	100%	13	9
Petty Theft	4	5	25%	47	47
Public Intoxication	0	0	0%	10	10
Suspended License	2	1	-50%	29	19
Unlicensed Drivers	8	5	-38%	107	90
Vehicles Towed	9	7	-22%	135	121
Vehicles Released	4	3	-25%	70	61
Case Number Drawn	115	112	-3%	1,897	1,577



## STAFF REPORT

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TO: Honorable Mayor and City Council  
FROM: Rudy Hernandez, Interim City Manager  
DATE: January 12, 2021  
SUBJECT: Orange Cove Energy Efficiency Project

---

### Summary

Over the past number of years staff have met with a variety of companies that provide various energy efficiency solutions. In general, the projects proposed have been large scale projects which (upon staff review) seemed to be overly large fiscal commitments which may have been difficult to carry forward (from a financing perspective) with minimal risk. More recently, SitelogIQ has approached the City of Orange Cove to discuss a potential project within the city. SitelogIQ is an energy efficiency company which is semi unique in that it is also a general contractor of energy efficiency projects. SitelogIQ performed a preliminary energy audit of all City facilities and was tasked with creating a smaller scale project for City consideration. After a significant amount of analysis SitelogIQ met with City staff to propose the most economically feasible solar locations, as well as lighting upgrades. The sites proposed for potential lighting upgrades include the Community Center, Police Department, Fire Department, City Hall, Senior Center and Julia A. Lopez Child Development Center. Subsequently, SitelogIQ also proposed a project location at the Wastewater Treatment Facility for possible solar as the Wastewater Treatment Facility is the City's largest power user.

On December 15<sup>th</sup>, 2021 a special meeting was held to discuss the final cost and savings of the above proposed locations. The final project cost for "phase 1" identified is approximately \$2,228,616. SitelogIQ has proposed one funding option that was discussed at length during the presentation. In broad terms, the funding option proposed would make use of the California Energy Commission, Energy Conservation Assistance Act One Percent Loan Program (CEC ECAA Loan) and would result in a net 30-year savings of approximately \$7,474,874. As an added benefit, the CEC will conduct at no cost to the city a thorough third-party review of SitelogIQ's costs, as well as savings calculations. If council approves SitelogIQ's Contract, SitelogIQ will complete the ECAA Loan application and submit the completed loan documents to the CEC on behalf of the City of Orange Cove.

As mentioned in previous staff reports, there was a key motivation to moving quickly with regards to a decision to institute a solar energy efficiency project. This related to an upcoming potential rule change by the CPUC that would greatly reduce California net metering policy

which could potentially cut the value of solar credits by up to 75%. Fortunately for the City, since approving the Letter of Agreement with SitelogIQ, the SitelogIQ team has successfully submitted on behalf of the City, an interconnection application with PG&E which guarantees the City will be grandfathered into the favorable NEM 2.0 rate schedule, and thereby will not be negatively affected by the upcoming changes to the net metering policy.

### Recommendation

It is recommended that the City Council approve SitelogIQ's Construction Agreement and Operations & Maintenance Agreement and approve the attached 4217, CEQA exemption and CEC resolutions which authorize the City Manager and SitelogIQ to submit the loan documents to the CEC.

### FISCAL IMPACT:

As stated previously, the final project cost of \$2,228,616 that is proposed to be funded entirely by the CEC ECAA Loan and will generate an approximate 30-year net saving to the City of \$7,474,874 (roughly 30% general fund, 70% wastewater enterprise fund). Additionally, the CEC ECAA Loan documents state "(The obligation of the borrower to make such payments shall be limited to the savings realized by the Borrower as a result of implementing the Project funded by the Loan)" Meaning, if for any reason the City does not realize the saving the CEC and SitelogIQ have calculated, the City is not responsible for making the full payment.

The previously stated short term fiscal impact cost of \$900 - \$1,500 to be paid directly to PG&E for a Preliminary Interconnection Application Fee has been paid for by SitelogIQ in order to expedite the submittal of the City's Interconnection Application.

Prepared by: Rudy Hernandez

Approved by: 

REVIEW: City Manager: \_\_\_\_\_

Finance: \_\_\_\_\_

City Attorney: \_\_\_\_\_

TYPE OF ITEM:	COUNCIL ACTION:	APPROVED	DENIED	NO ACTION
<input type="checkbox"/> Consent	<input type="checkbox"/> Public Hearing			
<input type="checkbox"/> Info Item	<input type="checkbox"/> Matter Initiated by a Council Member			
<input checked="" type="checkbox"/> Action Item	<input type="checkbox"/> Other			
<input type="checkbox"/> Department Report	<input type="checkbox"/> Continued to: _____			
<input type="checkbox"/> Redevelopment Agency				

RESOLUTION NO. 2022-02

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ORANGE  
COVE AUTHORIZING SITELOGIQ AND CITY MANAGER TO  
COMPLETE AND SUBMIT ALL NECESSARY DOCUMENTS AND  
APPLICATION FOR THE CEC ECAA LOAN PROGRAM AND FINDING  
THE ACTIVITY FUNDED BY SUCH LOAN TO BE EXEMPT FROM THE  
CALIFORNIA ENVIRONMENTAL QUALITY ACT**

Resolution of

**City of ORANGE COVE**

*Name of Institution or Organization*

WHEREAS, the California Energy Commission provides loans to schools, hospitals, local governments, special districts, and public care institutions to finance energy efficiency improvements;

NOW THEREFORE, BE IT RESOLVED, that City Council of the City of ORANGE COVE authorizes SiteLogIQ to apply for an energy efficiency loan from the California Energy Commission to implement energy efficiency measures.

BE IT ALSO RESOLVED, that in compliance with the California Environmental Quality Act (CEQA), City of ORANGE COVE finds that the activity funded by the loan is a project that is categorically exempt under 15301, 15304, 15311 and 15329 because the solar site proposed is part of an existing facility and/ or minor alterations to land.

BE IT ALSO RESOLVED, that if recommended for funding by the California Energy Commission, the City Council of the City of ORANGE COVE authorizes the City Manager

to accept a loan up to \$2,228,616.00.

BE IT ALSO RESOLVED, that the amount of the loan will be paid in full, plus interest, under the terms and conditions of the Loan Agreement, Promissory Note and Tax Certificate of the California Energy Commission.

BE IT FURTHER RESOLVED, that City Manager, Rudy Hernandez is hereby authorized and empowered to execute in the name of City of ORANGE COVE all necessary documents to implement and carry out the purpose of this resolution, and to undertake all actions necessary to undertake and complete the energy efficiency projects.

Passed, Approved and Adopted this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.  
Month Year

---

Governing Board Representatives:

Victor P. Lopez, Mayor

Diana Guerra-Silva, Mayor Pro Tem

Josie Cervantes, Councilmember

Roy Rodriguez, Councilmember

Esperanza Rodriguez, Councilmember

**RESOLUTION NO. 2022-03**

**APPROVAL OF FINDINGS FOR GOVERNMENT CODE SECTION 4217.10-4217.18, APPROVAL OF FACILITY SOLUTIONS AGREEMENT BETWEEN CITY OF ORANGE COVE "CITY" FOR THE PURPOSE OF CONSTRUCTION, INSTALLATION OF ENERGY EFFICIENCY AND RENEWABLE GENERATION MEASURES ON SELECTED CITY SITES,**

**WHEREAS**, the City Council ("Council") has endorsed the goal of energy efficiency and directed staff to develop energy efficient and renewable generation projects for use at existing City sites. Based on an analysis of energy efficiency savings and capabilities the City has selected SitelogIQ based on their qualifications and references as to be "Best Value";

**WHEREAS**, the City approved an agreement to enter into negotiations with SitelogIQ which proposes an Energy Conservation project to the City to include energy efficiency improvements to the sites including the use of Government Code Section 4217.10-4217.18 to implement additional scopes of work for Solar PV Power Generation and comprehensive lighting retrofits.

**WHEREAS**, the Council has received, and reviewed information and data presented by City staff demonstrating that the cost to the City for Supplier to provide energy conservation and renewable generation measures pursuant to the Agreement will be less than the anticipated energy savings to the City; and SitelogIQ

**WHEREAS**, in order to maximize the cost savings from the energy project, the City desires to improve the building energy efficiency at specified sites with the scope of work;

**BE IT RESOLVED** that based on comments, staff reports, and documentation reviewed by the Council, the Council makes the formal findings that the cost of the project will be offset by the anticipated savings in energy consumption; and

**BE IT FURTHER RESOLVED** that the Council hereby approves the Facility Solutions Agreement

**BE IT FURTHER RESOLVED** that the City Manager or his designee is authorized to take such actions and execute such agreements and documentation necessary to affect the intent of this Resolution.

PASSED AND ADOPTED by the Orange Cove City Council vote:

AYES: NOES: ABSTAIN: ABSENT:

I, \_\_\_\_\_ Clerk to the Council of the "City", hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the said Council of Trustees on this (Insert Date).

\_\_\_\_\_  
City Clerk

# Notice of Exemption

Appendix E

To: Office of Planning and Research  
P.O. Box 3044, Room 113  
Sacramento, CA 95812-3044

From: (Public Agency): City of Orange Cove  
633 6th Street Orange Cove, CA. 93646

County Clerk

County of: Fresno

(Address)

Project Title: City of Orange Energy Efficiency Project

Project Applicant: \_\_\_\_\_

Project Location - Specific:

633 6th Street (City Hall) + Water Treatment, Public Works, Julia Lopez, WWTP, Police

Project Location - City: Orange Cove

Project Location - County: Fresno

Description of Nature, Purpose and Beneficiaries of Project:

The project involves installing ground mounted solar arrays, and retrofitting existing interior and exterior lighting fixtures. The purpose is to reduce overall energy expenditures.

Name of Public Agency Approving Project: City of Orange Cove

Name of Person or Agency Carrying Out Project: SitelogIQ

Exempt Status: (check one):

☐ Ministerial (Sec. 21080(b)(1); 15269);

☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));

☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));

☒ Categorical Exemption. State type and section number: 15301, 15304, 15311 and 15329

☐ Statutory Exemptions. State code number: \_\_\_\_\_

Reasons why project is exempt:

The proposed retrofits are, (a) part of an existing facility, (b) minor alterations to the land, and (c) co-generation projects at existing facilities with a capacity less than fifty (50) megawatts.

Lead Agency

Contact Person: Rudy Hernandez

Area Code/Telephone/Extension: 559-626-4488

If filed by applicant:

1. Attach certified document of exemption finding.

2. Has a Notice of Exemption been filed by the public agency approving the project? Yes No

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Title: \_\_\_\_\_

Signed by Lead Agency - Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.

Reference: Sections 21106, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: \_\_\_\_\_



**NOTICE OF PUBLIC HEARING**

**RESOLUTION ADOPTING CERTAIN FINDINGS AND APPROVING ENERGY SERVICE CONTRACT FOR  
ENERGY RELATED IMPROVEMENTS TO CITY FACILITIES WITH SITELOGIQ**

NOTICE IS HEREBY GIVEN that the City of Orange Cove will conduct a public hearing at 6:30 p.m., or as soon thereafter as it can be heard at a City Council meeting, on Wednesday, January 12th, 2022, in the City of Orange Cove City Council Chambers, at 633 6<sup>th</sup> Street Orange Cove, CA. 93646 for the purposes of presenting certain findings and approving an Energy Services Contract with SiteLogIQ, for the implementation of certain energy related improvements to City of Orange Cove facilities in accordance with California Government code Section 4217.10 to 4217.18. The City Council's findings shall provide and Energy Services Contract shall require that the cost to the City to implement the energy related improvements will be less than the anticipated marginal cost to the City of thermal electrical, or other energy that would have been consumed by the City of Orange Cove in absent of purchasing the energy improvements.

All interested persons are invited to appear at the time and place specified above to give testimony regarding the proposed action listed above. If you are unable to attend the public hearing, you may dial in by calling (720-740-9780 ACCESS CODE 1060550#) or direct written comments to the City of Orange Cove, (633 6<sup>th</sup> Street Orange Cove, CA. 93646)

If you plan to attend the public hearing and need a special accommodation because of a sensory or mobility impairment/disability, or have a need for an interpreter, please call (559-626-4488) to arrange for those accommodations to be made. Notification 24 hours prior to the meeting will enable the City to make reasonable accommodations to assure accessibility at the meeting. Anyone may testify at this hearing. For information contact City Hall at (559-626-4488).

# ATTACHMENT 1

## ECAA LOAN APPLICATION FOR CALIFORNIA ENERGY COMMISSION FINANCING PROGRAM INTEREST RATE 1%

### 1. APPLICANT INFORMATION

Applicant/Legal Name: City of Orange Cove		
Type of Entity: (please check one box)		
<input checked="" type="checkbox"/> City	<input type="checkbox"/> Special District	
<input type="checkbox"/> County	<input type="checkbox"/> Public Hospital / Public Care Institution	
<input type="checkbox"/> Public College or University	<input type="checkbox"/> Other, please specify: _____	
Mailing Address: 633 6 <sup>th</sup> Street	City: Orange Cove	Zip: 93646
Street Address: 633 6 <sup>th</sup> Street	City: Orange Cove	Zip: 93646
County: Fresno County		
Contact Person: Rudy Hernandez	Title: City Manager	
E-mail: Rudy@cityororange Cove.com	Phone: 559-626-4488	
Tax ID #: (Please Insert)	Congressional District: 22 <sup>nd</sup>	
Name of Utility Providers:		
Electric: PG&E	Gas: N/A	Other:
How did you hear about the Energy Commission's Loan Program? Check one: Energy Commission Website, Energy Commission Staff Presentation, Literature at Trade Show or Workshop, Utility Company, recommendation by another State agency, or Other (Specify):		
Other: Consulting Contractor (SitelogIQ)		



## 2. PROJECT INFORMATION

A. Has applicant applied for, or expect to apply for any utility rebates/incentives?

☐ Yes. Please complete Section B.

☒ No.

B. Source of Rebates/Incentives: \_\_\_\_\_  
(Approximate) Amount: \_\_\_\_\_

C. Are there other sources of funds?

☐ Yes. Project will not be fully funded by this loan.

☒ No.

If yes, list source of funds, type of funding and amount: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**NOTE:** Projects funded by other loans will not be considered for an ECAA-Ed loan.

D. Brief Project Description:

This project consists of a combination of interior/exterior lighting retrofits across (7) sites and 400 kW-AC solar array at the Wastewater Treatment plant.

## 3. PROJECT SCHEDULE

Estimated start date: 5/16/2022
Estimated completion date: 7/17/2023

**4. PROJECT BUDGET**

Total project costs: (Include all labor engineering, construction, materials, equipment, inspection demolition (if applicable) and removal (if applicable, less equipment salvage value, (if applicable): \$ 2,228,616
Loan amount requested from the Energy Commission: \$ 2,228,616

**5. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) COMPLIANCE**

- A. Is there documentation provided as an attachment to this application demonstrating the lead agency's compliance with CEQA? (See Attachment 4, CEQA Information for required documents.)
- ☒ Yes, go to B.
- ☐ No: Begin preparation of CEQA documentation. See requirements in the Program Opportunity Notice (see Attachment 4) before submitting application. Send environmental documents to the Energy Commission, Environmental Office during the CEQA public review period. Be sure to identify yourself as a loan applicant and the Energy Commission as a responsible agency.
- B. Is CEQA compliance by the lead agency complete?
- ☒ Yes, go to C. ☐ No
- Send environmental documents to the Energy Commission, Environmental Office during the CEQA public review period. Be sure to identify yourself as a loan applicant and the Energy Commission as a responsible agency. If the public review period has closed, but the lead agency has not acted on the project, attach all relevant environmental documents to this application and provide anticipated date of lead agency action on the project:
- Date: \_\_\_\_\_
- C. What finding did the lead agency make? Measures funded by the loan are:
- ☐ Not a project. Describe why all measures to be funded by the loan are not CEQA projects, and provide analysis supporting the conclusion that the measures are not a project:

☒ A project under CEQA, and is exempt: List applicable exemption:

\_\_\_ Statutory (list code section): \_\_\_\_\_

☒ Categorical (list section from CEQA Guidelines): 15301, 15303, 15311, 15329

Was a Notice of Exemption filed? ☐ No ☒ Yes

If yes, Date Filed: \_\_\_\_\_

☐ A project under CEQA, and is not exempt. Applicant prepared the following environmental document:

\_\_\_ Initial study + Negative Declaration

\_\_\_ Initial study + Mitigated Negative Declaration

\_\_\_ Environmental Impact Report

\_\_\_ Other (describe)

Notice of Determination filed? ☐ No ☐ Yes Date Filed: \_\_\_\_\_

Was a Statement of Overriding Considerations adopted? ☐ No ☐ Yes  
If yes, date: \_\_\_\_\_

## 6. APPLICATION DOCUMENTS

Please include all of the following:

- ☒ Completed Loan Application (Attachment 1)
- ☒ Summary of Energy Measures (Attachment 2)
- ☒ Feasibility Study/Audit (may be submitted in a CD or flash drive)
- ☒ Utility Billing Data - Copies of 12-24 months of past energy data and rate schedules for electric, natural gas utilities, or other energy sources (unless utility billing data is included in the feasibility study). billing records from electric and gas utilities (unless included in the feasibility study).
- ☒ Signed Resolution or Documentation on of Applicant's Authority to enter into the loan agreement (see Attachment 3 for a sample Resolution)
- ☒ CEQA Compliance Documentation (see Attachment 4 for more information)

## 7. CERTIFICATION

To the best of my knowledge and belief, I certify:

- The information in this application is correct and complete.
- By signing this application, applicant is eligible to receive state funding under all applicable laws, including but not limited to Chapter 2.8 "Project Labor Agreements", Part 1, of Division 2 of the Public Contract Code.
- By signing this application, applicant does not intend to close or otherwise dispose of the building within the simple payback.
- I have read, understand, and do hereby accept the loan agreement terms, and, further, I am willing to enter into an agreement with the Energy Commission according to the terms offered and will timely sign loan documents if the application is funded.

Name of Authorized Representative: Rudy Hernandez		
Title: City Manager		
Signature of Authorized Representative:		
Date:	Phone:	Email:

**For Assistance:**  
**Email: [PubProg@energy.ca.gov](mailto:PubProg@energy.ca.gov)**  
**(855) 279-6280**  
**(916) 654-4104**

**4217 FACILITY SOLUTIONS MASTER AGREEMENT**

by and between

City of Orange Cove

and

SitelogIQ, Inc.

1651 Response Rd., Suite 300

Sacramento, California, 95815

CA Contractor License #: 1054171

January 12, 2022



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Exhibit F	Certificate of Substantial / Final Completion and Acceptance
Exhibit G	Notice to Proceed

## FACILITY SOLUTIONS AGREEMENT

This FACILITY SOLUTIONS AGREEMENT ("Agreement"), dated as of January 12, 2022, ("Effective Date"), is by and between City of Orange Cove, a City organized and existing under the laws of the State of California ("City") and SitelogIQ, Inc., a Delaware corporation ("Contractor") (each a "Party" and collectively, the "Parties").

### RECITALS

WHEREAS, City desires to reduce energy consumption and operational expenses through the installation of energy conservation and energy generation technologies ("System");

WHEREAS, California Government Code § 4217.10 et seq. authorizes Cities, Counties, and Special Districts to enter into agreements, contracts and related documents with private sector entities for developing energy generation and conservation projects upon City's finding that the anticipated costs for such services provided under this Agreement, together with any financing costs, will be less than the anticipated marginal energy costs to City;

WHEREAS, City has assigned specific areas on City properties (each one, a "Site") on which the solar and energy conservation measures (each one, a "System") will be constructed;

WHEREAS, City desires to engage Contractor to design, supply and install selected and listed scope of work at each Site; and

WHEREAS, Contractor desires to provide such turnkey upgrades, design, supply and installation services, all in accordance with the terms and conditions set forth in this Agreement; and

WHEREAS, Contractor is a full-service energy services company with the technical and financial capabilities to provide services to the City, including, but not limited to, energy and energy system auditing, engineering, design, procurement, construction management, installation, construction, financing, training, monitoring and verification, maintenance, operation, and repair.

NOW THEREFORE, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

## AGREEMENT

### 1. DEFINITIONS.

Unless otherwise required by the context in which any term appears: (a) capitalized terms used in this Agreement shall have the respective meanings set forth in **Exhibit A**; (b) the singular shall include the plural and vice versa; (c) the word "including" shall mean "including, without limitation," (d) references to "Sections" and "Exhibits" shall be to sections and exhibits of this Agreement; (e) the words "herein", "hereof" and "hereunder" shall refer to this Agreement as a whole and not to any particular section or subsection; and (f) references to this Agreement shall include a reference to all attached Exhibits, as the same may be amended, modified, supplemented or replaced from time to time.

### 2. CONTRACTOR CERTIFICATIONS

This Agreement includes the following contractor certifications, the forms of which are attached in **Exhibit B**, which must be completed by Contractor prior to commencement of the work on the Systems:

- i. Drug-Free Workplace / Tobacco-Free Environment Certification (**Exhibit B-1**)
- ii. Non-collusion Declaration (**Exhibit B-2**)

### 3. GENERAL

#### 3.1. Scope of Work

- (a) Contractor shall furnish to City turnkey energy efficiency upgrades and the engineering, design, procurement, construction management, installation, construction, monitoring, and commissioning of energy generation systems (each one a "System") installed at various sites (collectively, the upgrades and Systems shall be referred to as the "Project").
- (b) Operations and maintenance are not a part of this Agreement. City shall enter into a separate contract for operations and maintenance.
- (c) Project will be executed by individual Work Orders for each Project that will be independently executed and attached in **Exhibit C ("Work")**.
- (d) Work shall be performed in accordance with this Agreement, Energy Conservation Findings, and Exhibits attached hereto.

3.2. Contract Price

- (a) Contract Price. Subject to adjustments and/or the issuance of additional of Work Orders as set forth in this Agreement, Contractor agrees to perform the Work for the price as defined in each Work Order ("Work Order Price") as detailed in **Exhibit C**. The total value of the Contract is the summation of the Work Order Prices, as updated from time to time ("Contract Price"):

- (i) Payment of the Contract Price shall be made in compliance with the process described in **Exhibit C**.

3.3. Protective Measures.

- (a) Contractor shall be responsible for all injury or damage to individuals or property that may occur as a result of its fault or negligence, or that of its Subcontractors, in connection with the performance of the Work, subject to the limitation of liability contained in Section 7.5.
- (b) Contractor shall take all reasonably necessary precautions for the safety of its employees and any and all other individuals present on the Site where the System is located and prevent accidents or injury to individuals on, about, or adjacent to the premises where the Work is being performed.
- (c) Contractor shall keep the relevant part of the Site where the System is located and surrounding areas free from accumulation of waste materials or rubbish caused by the Work, and at the end of each Day that the Contractor performs the Work, Contractor shall remove any debris, store such debris in containers at its sole expense, and leave the Site in a clean and orderly condition. Upon Final Completion, Contractor shall remove from the relevant part of the Site where the System is located all waste materials, rubbish, debris, debris containers, tools, Equipment, machinery and surplus materials from the Site and leave the Site in a clean and orderly condition.

3.4. Prevailing Wage.

- (a) California Labor Code. Contractor shall comply with all applicable provisions of the California Labor Code, Division 2, Part 7, Chapter 1, Articles 1-5, including (without limitation) the payment of the general prevailing per diem wage rates for public work projects in excess of \$1,000. In addition, Contractor and each Subcontractor shall comply with Chapter 1 of Division 2, Part 7 of the California Labor Code, commencing with Section 1720, and including Sections 1735, 1777.5 and 1777.6

forbidding discrimination, and Sections 1776, 1777.5 and 1777.6 concerning the employment of apprentices by Contractor or Subcontractor.

- (b) Certified Payroll Records. This Project is subject to the requirements of Subchapter 4.5 of Chapter 8 of Title 8 of the California Code of Regulations. Contractor and all subcontractors must furnish certified payroll records to the Department of Industrial Relations' Compliance Monitoring Unit at least monthly, or within ten (10) Business Days of any separate request by the Compliance Monitoring Unit, in the manner required by the Compliance Monitoring Unit.
- (c) Payment Withholding. Pursuant to 8 CCR 16463(e), the City may withhold contract payments when payroll records are delinquent or inadequate or as required by the Labor Commissioner. The amount withheld shall be limited to those payments due or estimated to be due to the Contractor or Subcontractor whose payroll records are delinquent or inadequate, plus any additional amount that the Labor Commissioner has reasonable cause to believe may be needed to cover a back wage and penalty assessment against the Contractor or Subcontractor whose payroll records are delinquent or inadequate; provided that the Contractor shall be required in turn to cease all payments to a Subcontractor whose payroll records are delinquent or inadequate until the Labor Commissioner provides notice that the Subcontractor has cured the delinquency or deficiency.
- (d) Site Access.
  - (i) Contractor shall provide site access to Department of Industrial Relations personnel upon request.
  - (ii) Construction staging areas, storage areas, access, parking, Site use, etc. must be acceptable to City at all times. Site access and use will be limited. At no times shall public roads or sidewalks be blocked.
  - (iii) Driveways and Entrances: Contractor shall keep driveways, entrances, and fire access roads clear and available to City, City's employees, and emergency vehicles. Contractor shall not use these areas for parking or storage of materials.
  - (iv) Contractor shall schedule deliveries to minimize use of driveways and entrances.

- (v) Contractor shall schedule deliveries to minimize space and time requirements for storage of materials and equipment on-site.
  - (vi) Parking: Designated Contractor parking areas will be assigned. All vehicles should be locked as the City cannot guarantee observation of Contractor or public vehicles.
  - (vii) Contractor shall confine operations on the Site to areas indicated in the Contract Documents and as directed by City. Portions of the Site beyond areas on which Work is indicated are not to be disturbed. Contractor shall conform to Site rules and regulations affecting the Work while engaged in project construction.
- (e) Prevailing Wage Notice. On each job site that is subject to compliance monitoring and enforcement by the Department of Industrial Relations, the Contractor shall post at appropriate, conspicuous, weatherproof points at the site the Notice of Projects Subject to Requirements of Subchapter provided in Title 8, section 16451(d) of the California Code of Regulations.
- (f) Prevailing Rate Penalty. Contractor shall, as a penalty, forfeit not less than Two Hundred Dollars (\$200.00) to the City for each calendar day or portion thereof, for each worker paid less than the prevailing rates as determined by the Director of the Department of Industrial Relations for such work or craft in which such worker is employed for the Work by the Contractor or by any Subcontractor, of any tier, in connection with the Work. Pursuant to California Labor Code §1775, the difference between prevailing wage rates and the amount paid to each worker each calendar day, or portion thereof, for which each worker paid less than the prevailing wage rate, shall be paid to each worker by Contractor.
- 3.5. Site Conditions.
- (a) Prior to the start of construction, Contractor will conduct a full and complete visual inspection of each Site, including (a) the readily apparent surface conditions of any areas where a System will be installed in or on the ground, including areas where utilities are located such as manhole covers, pull boxes, marked underground service areas, etc., (b) all staging, storage, delivery, and other areas necessary to perform the Work, (c) ingress to and egress from each Site for all supplies, personnel and Equipment, (d) all as-built drawings, Site layout, easement and other documentation provided by City to Contractor, (e) extent of the Work,



locality, actual conditions, as built conditions, and all local conditions and federal, state and local laws and regulations that in any manner may affect cost, progress, performance or furnishing of Work or which relate to any aspect of the design and the means, methods, techniques, sequences or procedures of construction to be employed by Contractor and safety precautions and programs incident thereto, and (f) has considered the physical conditions at or contiguous to the sites or otherwise that may affect the cost, progress, performance or furnishing of the Work, as Contractor considers necessary for the performance or furnishing of the Work at the Contract Price, within the Contract Time and in accordance with the other terms and conditions of Contract Documents.

- (b) Contractor will document and provide to City all findings in regards to the aforementioned inspection. If any conditions exist, arise, or are discovered at the Sites that differ materially from those conditions that Contractor discovered or should have reasonably discovered based on the inspections set forth in this Section, including without limitation, conditions related to Hazardous Materials or archeological findings, soils conditions, ground water, rock, caving, or subsurface obstructions of which Contractor was not aware on the date of this Agreement or could not reasonably be expected to anticipate based on the inspection described above, and such conditions involve the incurrence by Contractor of any material expenses to correct or accommodate such conditions (hereinafter, "Unanticipated Condition"), Contractor shall submit a request for a Change Order to City. City and Contractor may mutually agree to modify the Work to offset the Change Order request to comply with City budget limits.

3.6. Labor.

Contractor shall be responsible for all Contractor labor-related delays or disruption of the progress of the Work. Contractor shall promptly take any and all reasonable steps that may be available in connection with the resolution of violations of collective bargaining agreements or labor jurisdictional disputes. Contractor shall advise City promptly in writing of any actual or threatened labor dispute of which Contractor has knowledge that might materially affect the performance of the Work by Contractor or by any of its Subcontractors. Notwithstanding the foregoing, (a) the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the discretion of the Party having the difficulty, (b) a labor-related delay shall not give rise to a change in the Construction Schedule unless such delay constitutes a Force Majeure Event under paragraph (c) of the definition thereof, and (c) in no event will labor-related delays or difficulties give rise to additional payments to Contractor.

3.7. Insurance.

- (a) Contractor and City, at their own expense, shall procure or cause to be procured and maintain or cause to be maintained in full force and effect at all times commencing no later than commencement of the Work at the Site and until Final Completion, all insurance coverage specified in Exhibit E.
- (b) City and any lenders to the City shall be added as additional insureds under the commercial general liability, automobile liability and umbrella/excess liability insurance procured and maintained by Contractor in connection with the Work. Contractor shall not add City or any lender as additional insureds under its worker's compensation insurance policy.
- (c) Each Party shall furnish current certificates indicating that the insurance required under this Agreement is being maintained. Each Party's certificate shall contain a provision whereby the insurer agrees to give the other Party thirty (30) Calendar days (or ten (10) Calendar days in the event of failure to pay premiums) written notice before the insurance is cancelled.

3.8. Performance of the Work.

- (a) Contractor shall supervise and direct the Work, using Contractor's best skill and attention. Contractor shall be solely responsible for all methods, techniques, sequences and procedures, and shall coordinate all portions of the Work. City will deal only through Contractor, who shall be responsible for the proper execution of the entire Work.

A subcontractor ("Subcontractor") is a person or organization that has a direct contract with Contractor to perform any of the Work. Contractor agrees that it is as fully responsible to City for the acts and omissions of Subcontractors and of persons either directly or indirectly employed by Contractor as it is for the acts and omissions of persons directly employed by it. Nothing contained in this Agreement or any other document associated with the performance of the work shall create any contractual relation between any Subcontractor and City.

Contractor agrees to bind every Subcontractor by the terms of this Agreement as to that portion of the Work performed by Subcontractor, unless specifically noted to the contrary in a subcontract approved in writing by City. Contractor agrees to be bound to the Subcontractor by all of the obligations that City assumes to Contractor under this Agreement as to the portion of the Work performed by Subcontractor.

- (b) Contractor agrees to use, and agrees that it shall require each of its Subcontractors to use, only personnel who are qualified and properly trained and who possess every license, permit, registration, certificate or other approval required by Applicable Law or any Governmental Authority to enable such Persons to perform their Work involving any part of Contractor's obligations under this Agreement.
- (c) Contractor agrees that all materials and Equipment to be supplied or used by Contractor or its Subcontractors in the performance of its obligations under this Agreement shall be new (if being incorporated into the System) or in good operating condition (if not being incorporated into the System) and fit for the use(s) for which they are employed by Contractor or its Subcontractors. Such materials and Equipment shall at all times be maintained, inspected and operated pursuant to Industry Standards and as required by Applicable Law. Contractor further agrees that all licenses, permits, registrations and certificates or other approvals required by Applicable Law or any Governmental Authority will be procured and maintained for such materials and Equipment at all times during the use of the same by Contractor or its Subcontractors in the performance of any of Contractor's obligations under this Agreement.

3.9. Hazardous Materials.

- (a) Contractor hereby specifically agrees to indemnify, defend and hold City, their present and future Board members, administrators, employees, agents, representatives, successors and assigns harmless from and against any and all losses, liabilities, claims, demands, damages, causes of action, fines, penalties, costs and expenses (including, but not limited to, all reasonable consulting, engineering, attorneys' or other professional fees), that they may incur or suffer by reason of:
  - (i) any release of a Hazardous Material brought on to the Site by Contractor, or any pre-existing Hazardous Materials that, through Contractor's sole negligence, are released or disturbed at the Site;
  - (ii) any enforcement or compliance proceeding commenced by or in the name of any Governmental Authority because of an alleged, threatened or actual violation of any Applicable Law by Contractor; and
  - (iii) any action reasonably necessary to abate, remediate or prevent a violation or threatened violation of any Applicable Law by Contractor.

(b) City hereby specifically agrees to indemnify, defend and hold Contractor, its present and future direct or indirect parents, subsidiaries, affiliates, divisions, and their respective directors, officers, employees, shareholders, agents, representatives, successors and assigns harmless from and against any and all losses, liabilities, claims, demands, damages, causes of action, fines, penalties, costs and expenses (including, but not limited to, all reasonable consulting, engineering, attorneys' or other professional fees), that they may incur or suffer by reason of:

- (i) any release of a Hazardous Material brought on to the Site by City, City Representative, or Third Party and any pre-existing Hazardous Material except pre-existing Hazardous Material released or disturbed at the Site through Contractor's negligence;
- (ii) any enforcement or compliance proceeding commenced by or in the name of any Governmental Authority because of an alleged, threatened or actual violation of any Applicable Law by City or City Representative; and
- (iii) any action reasonably necessary to abate, remediate or prevent a violation or threatened violation of any Applicable Law by City or City Representative.

3.10. Suspension of the Work.

- (a) If Contractor does not receive payment of any undisputed invoices submitted in accordance with Section 4.2, Contractor shall have the right, upon not less than fifteen (15) Business days written notice, to suspend the Work under this Agreement. Contractor shall be entitled to compensation for all undisputed amounts under this Agreement. If City issues full payment of the undisputed invoice within fifteen (15) Business days of written notice of intention to suspend, the notice of intention to suspend shall have no further force or effect and Contractor shall continue to perform the services hereunder as if the notice of intention to suspend had not been given. In the event of any such suspension, Contractor shall be entitled to request (i) an extension of the deadlines of this Agreement for the same period of the suspension, and (ii) the reimbursement of the additional costs and expenses, if any, reasonably incurred and substantiated by Contractor (provided Contractor undertakes reasonable efforts to mitigate such costs and expenses) in protecting, securing or insuring the Work, the delay resulting from such suspension, and in resumption of the Work. If a suspension of the Work

under this Section continues for more than two (2) months, Contractor shall be entitled to, at its sole discretion, terminate this Agreement.

- (b) City may suspend the Work temporarily at its discretion. In the event of any such suspension, Contractor shall be entitled to request (i) an extension of the deadlines of this Agreement for the same period of the suspension, and (ii) the reimbursement of the additional costs and expenses, if any, reasonably incurred and substantiated by Contractor (provided Contractor undertakes reasonable efforts to mitigate such costs and expenses) in protecting, securing or insuring the Work, the delay resulting from such suspension, and in resumption of the Work. If a suspension of the Work under this Section 3 continues for more than six (6) months, Contractor shall be entitled, at its sole discretion, to terminate this Agreement.
- (c) In the event that the Work is totally or partially suspended, the Party that has caused the suspension (whether by reason of an act, omission or default) shall bear all the damages, costs and expenses caused by the suspension. If the suspension is not due to an act, omission or default of any of the Parties, and such delay falls under the definition of an Excusable Delay, then the deadlines of this Agreement will be extended for the same period of the suspension, or for such other period that the Parties deem reasonable in view of the circumstances, and City shall assume any costs arising under the effects of the suspension on the obligations of the Parties under this Agreement. Notwithstanding the occurrence or continuation of any Force Majeure Event, the provisions of this Section shall apply.
- (d) After the resumption of the performance of the Work, Contractor shall, after due notice to City, examine the Work affected by the suspension. Contractor shall make good any defect, deterioration or loss of the construction or the Work affected that may have occurred during the suspension period. Costs properly incurred by Contractor (including but not limited to demobilization and mobilization costs, insurance fees, and repair cost) shall be added to the Work Order Price, so long as the suspension did not arise due to any act, omission or default on the part of Contractor.

3.11. Taxes.

The Work Order Price includes (and Contractor assumes exclusive liability for and shall pay before delinquency) all federal, state or local sales, use, value added, excise and other taxes, charges or contributions imposed on, or with respect to all Equipment and Contractor's services contemplated by this Agreement, provided that City shall pay and

have exclusive liability with respect to any taxes payable with respect to City's income. Contractor shall hold harmless, indemnify and defend City, together with any and all its governing board, administrators, agents and employees from any liability, penalty, interest and expense by reason of Contractor's failure to pay such taxes, charges or contributions. Contractor and City shall cooperate with each other to minimize the tax liability of both Parties to the extent legally permissible.

3.12. Liens.

Contractor warrants good title, free and clear of all liens, claims, charges, security interests, and encumbrances whatsoever, to all Equipment and other items furnished by it or any of its Subcontractors that become part of the System to the extent payment therefore has been received by Contractor from City.

3.13. Compliance with Applicable Laws.

- (a) Contractor specifically agrees that it shall at all times fully comply with Applicable Laws and that it shall perform the Work in accordance with the Applicable Laws.

3.14. Energy Credits.

- (a) City acknowledges that Contractor shall own, and may assign or sell in its sole discretion, all rights, title, and interest associated with or resulting from the development, construction, installation and ownership of the System or the production, sale, purchase or use of the energy output including, without limitation:
  - (i) All Environmental Incentives arising from the Environmental Attributes associated with the System;
  - (ii) The reporting rights and exclusive rights to claim that: (i) the energy output was generated by the System (except as stated in paragraph (a)), (ii) Contractor is responsible for the reductions in emissions of pollution and greenhouse gases resulting from the System, (iii) Contractor is entitled to all credits, certificates, registrations, etc., evidencing or representing any of the foregoing;
  - (iii) All carbon reduction tonnage as defined under the Climate Action Reserve or similar definition as enacted by the State of California or the U.S. Federal Government ("Carbon Credits");
  - (iv) All "renewable energy credits" (as such term is defined in Section 399.12(h)(2) of the California Public Utilities Code);
  - (v) All Environmental Incentives hereafter enacted into law, whether under federal, state or local law, arising from the Environmental

Attributes of the System or the energy output or production, sale, purchase, consumption or use of the energy output from the System, expressly excluding, however, any future Environmental Incentives that are or may be dependent on ownership of the System for federal tax purposes.

(b) The Carbon Credits, renewable energy credits, grants and future Environmental Incentives as described herein shall be referred to collectively as "Energy Credits". The Contractor may assign, sell, transfer or otherwise convey all or any part of its right, title, and interest in and to the Energy Credits from time to time as it may determine to be in its best interest. City shall take such steps as Contractor shall reasonably request to confirm Contractor's ownership of Energy Credits as herein provided and shall cooperate with Contractor, to the extent Contractor reasonably requests and at Contractor's expense, in the sale or other disposition of Energy Credits.

(c) City recognizes that the designer/contractor under this project may be eligible for a tax deduction for energy efficient commercial buildings under §179D of the Internal Revenue Code. City agrees and recognize that Contractor will be the designer of this project for purposes of the §179D deduction. City shall cooperate with Contractor in completing the paperwork and certifications necessary to allow Contractor to claim any §179D or other energy efficient commercial buildings tax deduction" provided credits cannot be used by or benefit City. Performance & Payment Bonds.

3.15. Performance and Payment Bonds.

Contractor shall submit a Performance Bond and Payment Bond in accordance with Exhibit C.

3.16. Title; Risk of Loss.

(a) From Effective Date and until the date of Substantial Completion for the Work subject to the applicable Work Order, Contractor assumes risk of loss and full responsibility for the cost of replacing or repairing any damage to the System and all damages to and defects in materials, Equipment, supplies and maintenance equipment (including temporary materials, equipment and supplies) that are purchased by Contractor for permanent installation in or for use during construction of the System.

(b) City shall bear the risk of loss and full responsibility with respect of the System from and after the date of Substantial Completion of the Work subject to the Work Order.

(c) Notwithstanding anything herein to the contrary, City shall bear the risk of loss and full responsibility for the cost of replacing or repairing any damage to that portion of the System applicable to the Work Order and

all materials, Equipment, supplies and maintenance equipment (including temporary materials, equipment and supplies) that are purchased by Contractor or City for permanent installation in or for use during construction of the System to the extent caused by the negligent, grossly negligent or willful acts of City or its agents, employees or representatives.

- (d) Title to all materials, Equipment, supplies and maintenance equipment required by this Agreement, to be purchased by Contractor for permanent installation as part of the System or for ownership by City in the operation of that portion of the System subject to the particular Work Order shall pass to the City upon the achievement of Substantial Completion of the Work required by that Work Order.

#### 4. PRICE AND PAYMENT

##### 4.1. Contract Price.

- (a) The Work Order Price is firm fixed price for the scope proposed and includes all expenses expected to be incurred by Contractor including, but not limited to, equipment and materials, erection, construction, commissioning, inclusive of cost of travel and lodging expenses, applicable permits (other than the City Permits), services, supplies, labor, appurtenances, fees, charges, and taxes, related to Contractor's performance of its obligations under this Agreement.
- (b) Any Changes to the System or Work above and beyond code requirements and Industry Standards requested by the City shall be resolved through a Change Order to this Agreement.
- (c) If applicable and approved by City, any additional Work not otherwise specified in Exhibit C shall be resolved through a Change Order to this Agreement.
- (d) City and Contractor may mutually agree to reduce portions of the Work to offset the Change Order request to comply with City budget limits.
- (e) The Work Order Price shall only be changed by Change Order approved by Contractor and City.

##### 4.2. Payment.



- (a) City shall pay to Contractor the progress payments set forth in Exhibit C when Contractor has completed the Work associated with such payment. Contractor must submit documentation at the time of invoicing for related progress payments.
- (b) City shall pay one hundred percent (100%) of each progress payment.
- (c) The following minimum content will be contained in, or delivered together with, any payment request from Contractor to City:
  - (i) Contractor address, phone number, and fax
  - (ii) Contractor invoice number and date
  - (iii) Project Site address(es)
  - (iv) Description of completed milestones since the immediately preceding payment request
  - (v) Total invoice amount
  - (vi) "Remit to" details (for wire transfer)
  - (vii) Lien waivers from major Subcontractors (>5% of Work Order Price)
  - (viii) Signature of authorized representative of Contractor, certifying as to the accuracy of the payment request.
- (d) Overdue payment obligations of City hereunder shall bear interest from the date due until the date paid at a rate per annum equal to the rate published by the *Wall Street Journal* as the "prime rate" on the date on which such interest begins to accrue plus two percent (2%). City shall allow Contractor to submit the CEC reimbursement documents to the CEC within ten (10) Business days after City's receipt of Contractor's invoice. If the CEC delays payment to City for longer than thirty (30) Business days, or modifies the requirements for reimbursement, Parties shall negotiate in good faith to develop a solution that is acceptable to all Parties.
- (e) City may withhold or, on account of subsequently discovered evidence, nullify and require repayment of the whole or part of any payment to the extent necessary to protect City from loss, including costs and actual attorneys' fees, on account of (1) any breach of this Agreement by Contractor; (2) claims filed or reasonable evidence indicating probable filing of claims; (3) failure of Contractor to make payments properly to its

Subcontractors or for material, labor or fringe benefits; (4) a reasonable doubt that the Work to be completed as a condition to a payment has properly been completed; (5) penalties assessed against City for failure of Contractor to comply with state, federal or local laws and regulations; or (6) any other ground for withholding payment allowed by state or federal law, or as otherwise provided in this Agreement. When the above matters are rectified, such amounts as then due and owing shall be paid or credited to Contractor.

- (f) City agrees, and Contractor shall be entitled to, an increase in the Contract Price where the cost to Contractor for any raw-material or component (including without limitation, solar panels, tracking equipment, inverters, lighting and mechanical system components or any other equipment necessary to complete the work required by this Agreement) increases greater than two percent (2%) after the date of this Agreement. Contractor shall be entitled to an equitable adjustment in time and money for any costs that it incurs directly or indirectly that arise out of or relate to changes in taxes, tariffs, or similar charges due to such changes including, without limitation, escalation, delay damages, costs to re-procure, costs to change suppliers, costs of manufactured equipment or system components, or other costs of any kind resulting from the changes.
- (g) For any non-Contractor caused delay or suspension lasting longer than 90 Calendar days, Contractor shall be entitled to a reasonable increase in the Contract Price for an increase in cost for materials, equipment, labor, taxes, tariffs, or other items necessary to complete the work. Should an increase arise; a fair and equitable solution will be negotiated in good faith between the City and Contractor for any additional costs required.

5. COMMENCEMENT & COMPLETION

5.1. Commencement and Substantial Completion.

- (a) Contractor shall perform the Work as soon as practicable following the receipt of City Notice to Proceed.
- (b) City shall provide access to the sites to complete the Work.
- (c) The Contractor shall achieve Substantial Completion as set forth in Work Order. Contractor may claim a justified extension of the Substantial Completion Date if it is or will be delayed in completing the Work for one or more of the following causes:

- (i) Unanticipated Conditions which directly affect the Project Milestones;
  - (ii) Changes in the design, scope, or schedule of the Project required by the City;
  - (iii) Breach of this Agreement by City;
  - (iv) Suspension of the Work for more than 90 Calendar Days; or
  - (v) Force Majeure Event.
- (d) The following are conditions precedent to Substantial Completion:
- (i) the System is mechanically, electrically, and structurally constructed in accordance with the requirements of this Agreement, the Work and Industry Standards, except for non-critical punchlist items that do not affect operations;
  - (ii) the electrical infrastructure and the grid connection for the System is mechanically, electrically and functionally complete and capable of interconnection with the local utility;
  - (iii) City and Contractor shall have agreed on the punchlist items. For clarity purposes, the punchlist shall include final as-built drawings, operation and maintenance manuals, operation and maintenance training, permission to operate by local utility, Performance Test, and final lien waivers; and
  - (iv) all necessary documents have been submitted to the local public utility and all Work has been completed to the extent necessary for the local utility to issue a permission to operate.
- (e) When Contractor believes it has achieved Substantial Completion, Contractor shall provide notice to City containing sufficient detail to enable City to determine that Contractor has complied fully with the requirements of Section 5.1(d). Within ten (10) Business days after receipt of such notice, City shall either issue to Contractor the Certificate of Substantial Completion in a form similar to Exhibit E, or, if reasonable cause exists for doing so, advise Contractor by notice (stating the reasons therefore) that Substantial Completion has not been achieved. In the event City determines that Substantial Completion has not been achieved in accordance with the conditions precedent in Section 5.1(d), Contractor shall promptly take such action or perform such Work as is required to achieve Substantial Completion and shall thereupon issue to City another

notice as set forth above. This procedure shall be repeated until such time as City has acknowledged Substantial Completion subject to Section 5.1(f).

- (f) All punchlist items shall be completed no later than sixty (60) Business Days after Substantial Completion Date unless otherwise delayed by the local utility. Failure of Contractor to fulfill this obligation shall entitle City to complete the pending works on its own. City shall issue final payment to Contractor minus the cost to complete remaining or incomplete punchlist items.
- (g) Any dispute between City and Contractor with respect to the projected achievement of Substantial Completion as contemplated by this Section 5.1 shall be resolved in accordance with Section 8.5.

5.2. Final Completion.

- (a) Final Completion of the System shall be deemed to have occurred only if:
  - (i) all punchlist items contemplated in Section 5.1(d)(iii) have been completed or waived;
  - (ii) all manuals, drawings and other documents expressly required to be delivered by Contractor hereunder have been delivered to City;
  - (iii) on-site operation and maintenance training as required has occurred;
  - (iv) all final Lien waivers have been obtained;
  - (v) a Certificate of Final Completion in a form similar to Exhibit F is duly signed and recorded by City's Representative and the Contractor's Representative; and
  - (vi) local utility has provided a permission to operate.
- (b) Upon Final Completion, Contractor shall submit to City a Certificate of Final Completion in a form similar to Exhibit F certifying that all of the foregoing conditions have been satisfied. City shall, within ten (10) Business Days after the receipt by City of such written certificate, shall execute an acknowledgment of such certificate if Contractor has achieved Final Completion or provide written notice of Contractor's failure to achieve Final Completion. Contractor shall promptly take such action or perform such Work as is required to achieve Final Completion and shall

thereupon issue to City another notice as set forth above. This procedure shall be repeated until such time as City has acknowledged Final Completion .

- (c) Any dispute between City and Contractor with respect to the projected achievement of Final Completion as contemplated by this Section 5.2 shall be resolved in accordance with Section 8.5.

5.3. Inspection.

All Work performed by Contractor and all Equipment shall be subject to inspection by City, but such right of inspection of the Work or Equipment shall not relieve Contractor of responsibility for the proper performance of the Work or Equipment to the extent provided under this Agreement. Contractor shall provide to City or City's designee access to Contractor's facility or facilities where the Work is being performed during business hours, and subject to compliance with Site safety rules and policies. City shall ensure that the inspections do not affect the normal performance of this Agreement unless Work is not in compliance with this Agreement.

6. REPRESENTATIONS & WARRANTIES

6.1. Representations and Warranties of Contractor.

Contractor represents and warrants to City that:

- (a) Contractor is a Delaware corporation, duly organized, validly existing, and in good standing under the laws of the State of Delaware, and has full power to engage in the business it presently conducts and contemplates conducting, and is and will be duly licensed or qualified and in good standing under the laws of the State of California and in each other jurisdiction wherein the nature of the business transacted by it makes such licensing or qualification necessary and where the failure to be licensed or qualified would have a material adverse effect on its ability to perform its obligations hereunder.
- (b) Contractor has (either directly or through a Subcontractor) all the required authority, ability, skills, experience and capacity necessary to perform and shall diligently perform the Work in a timely and professional manner, utilizing sound procurement principles, project management procedures, construction procedures and supervisory procedures, all in accordance with Industry Standards. Contractor has (either directly or through a Subcontractor) the experience and skills

necessary to determine, and Contractor has reasonably determined, that Contractor can perform the Work for the Work Order Price.

- (c) The execution, delivery and performance by Contractor of this Agreement will not (i) violate or conflict with any covenant, agreement or understanding to which it is a party or by which it or any of its properties or assets is bound or affected, or its organizational documents or (ii) subject the System or any component part thereof to any lien other than as contemplated or permitted by this Agreement.
- (d) There are no undisclosed actions, suits, proceedings, patent or license infringements or investigations pending or, to Contractor's knowledge, threatened against it before any court or arbitrator that individually or in the aggregate could result in any materially adverse effect on the business, properties or assets or the condition, financial or otherwise, of Contractor or in any impairment of its ability to perform its obligations under this Agreement.
- (e) All goods, services, equipment, parts, and materials furnished in connection with the Work related to the System are new, unused and undamaged at the time of delivery to the Site.
- (f) The individual executing this Agreement on behalf of Contractor is duly authorized to execute and deliver this Agreement on behalf of Contractor and this Agreement is binding upon Contractor in accordance with its terms.
- (g) Contractor Not Employee of City: It is understood and agreed that in no instance is any party, signing this Contract for or on behalf of City or acting as an employee or representative of City, liable on this Contract, or upon any warranty of authority, or otherwise, and it is further understood and agreed that liability of City is limited and confined to such liability as authorized or imposed by the Contract Documents or applicable law.
- (h) Non-Discrimination: Contractor shall provide all services under this Agreement without discrimination, and shall not discriminate against any employee or applicant for employment, on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation. Contractor will comply with Section 1735 of the Labor Code and all provisions of Executive Order No. 10925 of March 6, 1961, as amended, and all rules, regulations and relevant orders of the President's Committee on Equal Opportunity created thereby. Contractor shall also

comply with the California Fair Employment and Housing Act (Government Code, Section 12900 and following).

- (i) Severability: The invalidity of any provision of this Agreement, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.
- (k) Retention of Records. Pursuant to Government Code Section 8546.7, the performance of any work under this Agreement is subject to the examination and audit of the State Auditor at the request of City or as part of any audit of City for a period of three years after final payment under the Agreement. Each party hereto shall retain all records relating to the performance of the Work and the administration of the Agreement for three years after final payment hereunder.

6.2. Representations and Warranties of City.

City represents and warrants to Contractor that:

- (a) City is a California City, duly organized, validly existing, and in good standing under the laws of the State of California, and has full legal capacity and standing to pursue its purpose (including the capacity to dispose of and encumber all of its assets) and full power to engage in the business it presently conducts and contemplates conducting.
- (b) The execution, delivery and performance by City of this Agreement will not (i) violate or conflict with any covenant, agreement or understanding to which it is a party or by which it or any of its properties or assets is bound or affected, or its organizational documents or (ii) subject the System or any component part thereof or the Site or any portion thereof to any lien other than as contemplated or permitted by this Agreement.
- (c) There are no undisclosed actions, suits, proceedings, patent or license infringements or investigations pending or, to City's knowledge, threatened against it before any court or arbitrator that individually or in the aggregate could result in any materially adverse effect on the business, properties or assets or the condition, financial or otherwise, of City or in any impairment of its ability to perform its obligations under this Agreement.
- (d) City will exercise commercially reasonable efforts to procure funding for the Project within three-hundred and sixty-five (365) Calendar days of the Effective Date.

- (e) City has proof of funds, to the satisfaction of the Contractor, that are necessary from time to time to pay Contractor the Work Order Price in accordance with the terms of this Agreement.
- (f) The individual executing this Agreement on behalf of City is duly authorized to execute and deliver this Agreement on behalf of City and this Agreement is binding upon City in accordance with its terms.

7. BREACH & TERMINATION

7.1. Termination by City for Cause.

- (a) Contractor agrees that City shall be entitled to terminate this Agreement for cause upon the occurrence of any of the following circumstances:
  - (i) Except as otherwise permitted under this Agreement, Contractor abandons the entire Work for more than ninety (90) Calendar days or fails to commence the Work within one-hundred and eighty (180) Calendar days after receiving the Notice to Proceed, and after expiration of said period fails to commence or continue performance of the Work within ten (10) Business days of Contractor's written notice from City to commence or continue performance of the Work;
  - (ii) Contractor commits a material breach of this Agreement, and Contractor does not commence the cure of said breach and thereafter diligent pursuant to completion the cure of said breach, within thirty (30) Calendar days following Contractor's receipt of written notice thereof from City, or
  - (iii) Contractor makes a general assignment for the benefit of creditors, or a receiver is appointed on account of its insolvency, or it becomes the subject of any proceeding commenced under any federal or state insolvency statute or law for the relief of debtors.
- (b) Upon the occurrence of any of the foregoing, City may instruct Contractor to discontinue all or any part of the Work, and Contractor shall thereupon discontinue the Work of such parts thereof. City shall thereupon have the right to continue and complete the Work or any part thereof, by contract or otherwise. City shall also pay Contractor for all services rendered up to and including the date of termination; plus all costs incurred with respect to equipment or materials ordered (which order cannot be refunded, terminated or such costs otherwise recovered by Contractor) prior to the date of termination; plus, if applicable, amounts payable to



Subcontractors arising from costs or expenses reasonably incurred by such Subcontractor and directly resulting from such termination; plus, if applicable, costs incurred by Contractor in demobilizing its work force from Site; plus all engineering and development cost incurred by Contractor prior to the Effective Date.

7.2. Termination by City for Convenience.

(a) Contractor agrees that City shall be entitled to terminate this Agreement for Convenience upon the occurrence of any of the following circumstances:

- (i) Upon exercising commercially reasonable efforts, City shall be entitled to terminate this Agreement if it is unable to procure funding for the Project within three-hundred and sixty-five (365) Calendar days of the Effective Date.
- (ii) If any covenant, condition or restriction upon the Site prohibits the installation of the System at the Site, City has the right to terminate this Agreement.
- (iii) For unanticipated site conditions that are beyond the contemplation of the parties that create any additional costs to City.

(b) Upon the occurrence of any of the foregoing, City may instruct Contractor to discontinue all or any part of the Work, and Contractor shall thereupon discontinue the Work of such parts thereof. City shall also pay Contractor for all services rendered up to and including the date of termination; plus all costs incurred with respect to equipment or materials ordered (which order cannot be refunded, terminated or such costs otherwise recovered by Contractor) prior to the date of termination; plus, if applicable, amounts payable to Subcontractors arising from costs or expenses reasonably incurred by such Subcontractor and directly resulting from such termination; plus, if applicable, costs incurred by Contractor in demobilizing its work force from Site; plus all engineering and development cost incurred by Contractor prior to the Effective Date.

7.3. Termination by Contractor.

(a) Contractor may terminate this Agreement, for any of the following causes:

- (i) If City makes a general assignment for the benefit of creditors, or a receiver is appointed on account of its insolvency, or it becomes the subject of any proceeding commenced under any federal or state insolvency statute or law for the relief of debtors.
- (ii) If City fails to make any payment to Contractor hereunder when due and defined in Section 4, which failure remains uncured for thirty (30) Calendar days following City's receipt of written notice thereof from Contractor, the City shall be in breach and Contractor shall have all rights and remedies that may be available under Applicable Law against City with respect thereto, including without limitation the right to suspend performance of the Work or terminate this Agreement as set forth in this Agreement.
- (iii) City shall reimburse Contractor for all services rendered up to and including the date of termination; plus all costs incurred with respect to equipment or materials ordered (which order cannot be refunded, terminated or such costs otherwise recovered by Contractor) prior to the date of termination; plus, if applicable, amounts payable to Subcontractors arising from costs or expenses reasonably incurred by such Subcontractor and directly resulting from such termination; plus, if applicable, costs incurred by Contractor in demobilizing its work force from Site; plus all engineering and development cost incurred by Contractor prior to the Effective Date.

7.4. Indemnity.

- (a) Contractor shall indemnify, defend (upon the request of City) and hold harmless City and City's agents, board members, elected and appointed officials and officers, employees, volunteers and authorized representatives from any and all losses, liabilities, charges, damages, claims, liens, causes of action, awards, judgments, costs, and expenses (including, but not limited to, reasonable attorney's fees of City Counsel and counsel retained by City, expert fees, costs and staff time, and investigation costs) of whatever kind or nature (collectively "Claims"), that arise out of or are in any way connected with the performance of this Contract by Contractor or Contractor's officers, agents, employees, independent contractors, subcontractors, or authorized representatives, except where caused by the sole negligence, active negligence or willful

misconduct of City. Without limiting the generality of the foregoing, the same shall include injury, or death to any person or persons, damage to any property, regardless of where located, including the property of City, and any workers' compensation claim or suit arising from or connected with any services performed pursuant to this Contract on behalf of Contractor by any person or entity. Notwithstanding the foregoing, the indemnification obligations of Contractor set forth in this Section shall not apply when the claim of infringement arises from a particular design, process or product of a particular manufacturer or manufacturers that Contractor is directed by City to use in connection with the Contract Documents, unless the Contractor has reason to believe there is an infringement of such intellectual property right.

- (b) City shall fully indemnify, save harmless and defend Contractor and its successors, assigns, officers, directors, members, managers, employees, agents, affiliates and partners in connection with or arising from any claim by a third party for physical damage to or physical destruction of property, or death of or bodily injury to any person (other than Affiliates of Contractor or Subcontractors) arising from or relating to this Agreement, but only to the extent caused by (a) the negligence, gross negligence or willful misconduct of City or its agents or employees or others under City's control or (b) a breach by City of its obligations hereunder.
- (c) City shall indemnify, defend and hold Contractor and its present and future direct and indirect parents, subsidiaries and Affiliates and their directors, officers, shareholders, employees, agents and representatives harmless from against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, damages, costs or expenses (including attorneys' fees and disbursements) of any kind whatsoever arising from the challenge to the procedures under which this Agreement was approved by the City.
- (d) Each Party shall indemnify, defend and hold the other Party, and its present and future governing board members, administrators, direct and indirect parents, subsidiaries and Affiliates and their directors, officers, shareholders, employees, agents and representatives harmless from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, damages, costs or expenses (including attorneys' fees and disbursements) of any kind whatsoever arising from (a) actual or alleged infringement or misappropriation by such Party (or in the case of Contractor, any Subcontractor) of any patent, copyright, trade secret, trademark, service mark, trade name, or other intellectual property right in connection with the System, including without limitation, any

deliverable, (b) such Party's (and in the case of Contractor, any Subcontractor's) violation of any third-party license to use intellectual property in connection with the Work, including, without limitation, any deliverable.

- (e) If any claim is brought against a Party (the "Indemnified Party") that gives rise to a potential indemnity claim under this Section, then the Indemnified Party shall give written notice of said claim to the other Party (the "Indemnifying Party"). Upon receipt of written notice of the claim, the Indemnifying Party shall be entitled to participate in, and, unless in the opinion of counsel for the Indemnifying Party a conflict of interest between the Parties may exist with respect to such claim, assume the defense of such claim, with counsel reasonably acceptable to the Indemnified Party. Where the Indemnifying Party has elected not to assume the defense of a claim that gives rise to a potential indemnity claim under this Section, the Indemnifying Party shall reimburse the Indemnified Party for its reasonable and necessary defense expenses to the extent said claim is adjudged to be covered under the indemnity obligations. Even if the Indemnifying Party assumes the defense of the Indemnified Party with acceptable counsel, the Indemnified Party, at its sole option, may participate in the defense, at its own expense, with counsel of its own choice without relieving the Indemnifying Party of any of its obligations hereunder.

7.5. Limitations of Liability.

- (f) No Consequential Damages. IN NO CIRCUMSTANCES SHALL THE CONTRACTOR OR CITY OR ANY OF THEIR RESPECTIVE OFFICERS, MEMBERS OR EMPLOYEES BE LIABLE FOR PUNITIVE, CONSEQUENTIAL OR EXEMPLARY DAMAGES OF ANY NATURE INCLUDING, BUT NOT LIMITED TO, DAMAGES FOR LOST PROFITS OR REVENUES OR THE LOSS OF USE OF SUCH PROFITS OR REVENUE, LOSS BY REASON OF PLANT SHUTDOWN OR INABILITY TO OPERATE AT RATED CAPACITY, COSTS OF REPLACEMENT POWER OR CAPITAL, DEBT SERVICE FEES OR PENALTIES, INVENTORY OR USE CHARGES, DAMAGES TO REPUTATION, DAMAGES FOR LOST OPPORTUNITIES, REGARDLESS OF WHETHER SAID CLAIM IS BASED UPON CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR OTHER THEORY OF LAW. NOTWITHSTANDING THE FOREGOING, THE LIMITATIONS ON PARTIES' LIABILITY FOR CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES IN THIS SECTION SHALL NOT APPLY TO THE PARTIES' RESPECTIVE INDEMNITY OBLIGATIONS AS SET FORTH IN THIS AGREEMENT FOR SUCH DAMAGES WHEN SUCH DAMAGES ARE SOUGHT BY THIRD PARTIES.

(g) Maximum Liability. Whether an action or claim is based on warranty, contract, tort or otherwise, under no circumstance shall either Party's total liability arising out of or related to this Agreement exceed the greater of (a) one-hundred percent (100%) of the Contract Price, or (b) the minimum insurance limits as defined in Exhibit E.

8.

MISCELLANEOUS

8.1. Representatives.

- (a) City Representative. City designates, and Contractor agrees to accept Rudy Hernandez, Interim City Manager as City Representative for all matters relating to Contractor's performance of the Work. The actions taken by City Representative regarding such performance shall be deemed the acts of City and shall be fully binding for City. City may, upon written notice to Contractor, pursuant to Section 8.6 hereof, change the designated City Representative.
- (b) Contractor Representative. Contractor designates, and City agrees to accept, Kecia Davison as Contractor Representative for all matters relating to Contractor's performance under this Agreement. The actions taken by Contractor Representative shall be deemed the acts of Contractor and shall be fully binding for Contractor. Contractor may, upon written approval of City, such approval shall not be unreasonably approved pursuant to Section 8.6 hereof, change the designated Contractor Representative.
- (c) Power of Representatives. The Parties shall vest their Representatives with sufficient powers to enable them to assume the obligations and exercise the rights of Contractor or City, as applicable, under this Agreement.
- (d) Notices to Representative. Notwithstanding Sections 8.1(a) and 8.1(b), all amendments, Change Orders, notices and other communications between Contractor and City contemplated herein shall be delivered in writing and otherwise in accordance with Section 8.6.

8.2. Ownership of Plans, Data, Reports and Material.

- (a) Subject to Sections 8.2(b), Contract Documents developed by Contractor under this Agreement shall become the property of City when prepared and shall be delivered to City upon completion of the Work; provided that nothing in the foregoing shall impair, alter or otherwise affect Contractor's proprietary rights in its patents, products or other intellectual property.

- (b) Any additional inventions or intellectual property created during performance of this Agreement shall be owned by Contractor.
- (c) Contractor further agrees to grant and hereby grants to City an revocable, non-exclusive, royalty-free license under all patents, copyrights and other proprietary information of Contractor related to the Work now or hereafter owned or controlled by Contractor to the extent reasonably necessary for the operation, maintenance or repair of the System or any subsystem or component thereof designed, specified, or constructed by Contractor under this Agreement. No other license in such patents and proprietary information is granted pursuant to this Agreement.

8.3. Governing Law.

The formation, interpretation and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any Dispute that is not resolved pursuant to Section 8.5, the Parties hereto agree to submit to the jurisdiction of any court of competent jurisdiction and shall comply with all requirements necessary to give such court jurisdiction.

8.4. Force Majeure.

Contractor shall promptly notify City in writing of any delay or anticipated delay in Contractor's performance of this Agreement due to a Force Majeure Event, and the reason for and anticipated length of the delay. Contractor shall deliver such notice as soon as reasonably practicable, but in any event within forty-eight (48) hours of Contractor's becoming aware of such delay. Contractor shall be excused for any delays or defaults in the performance of its obligations under this Agreement that are the result of a Force Majeure Event. Contractor shall be entitled to a reasonable extension of time for delays due to a Force Majeure Event.

8.5. Dispute Resolution.

- (a) Good faith negotiations. In the event that any question, dispute, difference or claim arises out of or in connection with this Agreement, including any question regarding its existence, validity, performance or termination (a "Dispute"), which either Party has notified to the other, senior management personnel from both Contractor and City shall meet and diligently attempt in good faith to resolve the Dispute for a period of thirty (30) Calendar days following one Party's written request to the other Party for such a meeting.
- (b) Technical Dispute. Technical Disputes shall be resolved by an independent expert. For the purposes of this Agreement, a "Technical Dispute" shall mean a Dispute regarding whether the System conforms

to the Industry Standards and applicable Building Codes, whether the relevant part of the Site where the System is located meets the required Site characteristics, and any other Disputes of a technical or engineering nature. All Technical Disputes shall be resolved on an accelerated basis by a nationally recognized professional expert unless otherwise agreed in writing by Contractor and City. Parties will share equally in the cost of the independent expert engaged to resolve Technical Disputes.

- (c) Non-Binding Mediation. If the Dispute remains unresolved, a Party may require that a non-binding mediation take place with a mediator mutually chosen by City and Contractor. If City and Contractor are unable to agree on a mediator, then either may request that the American Arbitration Association (the "AAA") to appoint a mediator. The mediator's fee and expenses shall be paid one-half by City, and one-half by Contractor. In any such mediation, representatives of the Parties with authority to resolve the dispute shall meet for at least three hours with mediator. The obligation to mediate shall not be binding upon any Party with respect to (i) requests for preliminary injunctions, temporary restraining orders, specific performance, or other procedures in a court of competent jurisdiction to obtain interim relief deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution by mediation of the actual Dispute; (ii) actions to collect payments not subject to bona fide Dispute; or (iii) claims involving third parties who have not agreed to participate in the mediation of the Dispute. The provisions of this Section shall survive any termination of this Agreement.
- (a) Attorneys' Fees. The prevailing Party in any action brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with such an action from the other Party.

#### 8.6. Notices and Demands.

Any notice, request, demand or other communication required or permitted under this Agreement, shall be deemed to be properly given by the sender and received by the addressee if made in writing (a) the same day if personally delivered; (b) three (3) Business days after deposit in the mail if mailed by certified or registered air mail, post prepaid, with a return receipt requested; or (c) the same day if sent by facsimile or electronic mail with confirmation. Mailed notices, facsimile notices or electronic notices shall be addressed as follows to:

**City:**

Name: City of Orange Cove  
Attention: Rudy Hernandez, Interim City Manager  
Address: 633 Sixth Street, Orange Cove, CA. 93646  
  
Phone: (559) 626-4488  
  
Email: rudycityoforange Cove.com

With a copy to: City Counsel

Name: Tuttle & McCloskey  
Attention: Daniel T. McCloskey  
Address: 750 East Bullard, Suite 101 Fresno, CA. 93710  
Phone: (559) 437- 1770  
Email: danm@t-m-law.com

**Contractor:**

Name: SitelogIQ, Inc.  
Attention: Kecia Davison, President, West Energy  
Address: 1651 Response Rd. Suite 300  
Sacramento, CA 95815  
Phone: (888) 819-0041  
  
E-mail: kecia.davison@sitelogiq.com

**8.7. Public Records Act Disclosure.**

Contractor has been advised and is aware that all reports, documents, information and data including, but not limited to, computer tapes, discs or files furnished or prepared by Contractor, or any of its subcontractors, and provided to City may be subject to public disclosure as required by the California Public Records Act (California Government Code Section 6250 et seq.). Exceptions to public disclosure may be those documents or other information that qualify as trade secrets, as that term is defined in the California Government Code Section 6254.7, and of which Contractor informs City of such trade secret. The City will endeavor to maintain as confidential all information obtained by it that is designated as a trade secret. City shall provide Contractor five (5) Business days written notice if City intends to disclose any information which Contractor has identified as trade secret, and provide Contractor ten (10) Business days to take steps to oppose such disclosure.

**8.8. Time of Essence.**



Time is expressly agreed to be of the essence of this Agreement and each, every and all of the terms, conditions and provisions herein.

8.9. Validity.

The provisions contained in each section, subsection and clause of this Agreement shall be enforceable independently of each of the others and their validity shall not be affected if any of the others are invalid. If any of those provisions is void but would be valid if some part of the provision were deleted, the provision in question shall apply with such modification as may be necessary to make it valid. The Parties shall, if necessary, negotiate in good faith and make any necessary amendments to ensure the enforceable terms of this Agreement reflect the true intent of the Parties as of the date of execution of this Agreement.

8.10. Binding Effect.

This Agreement shall be binding on the Parties hereto and on their respective permitted successors, heirs and assigns.

8.11. Modifications.

No oral or written amendment or modification of this Agreement by any administrator, Board member, officer, agent or employee of Contractor or City, either before or after execution of this Agreement, shall be of any force or effect unless such amendment or modification is in writing and is signed by any duly authorized representative of both Parties to be bound thereby.

8.12. Headings.

The headings in this Agreement are for convenience of reference only and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

8.13. Counterparts; Signature Pages.

This Agreement may be executed in counterparts which, taken together, shall constitute a single instrument. Facsimile and other electronically transmitted signature pages shall be effective to bind a Party to this Agreement.

8.14. Announcements and Publications.

Contractor shall coordinate with City with respect to, and provide advance copies to City for review of, the text of any proposed announcements or publications that include any non-public information concerning the Work prior to the dissemination thereof to the public or to any Person other than Subcontractors or advisors of Contractor, in each case,

who agree to keep such information confidential. If City delivers written notice to Contractor rejecting any such proposed announcement or publication within ten (10) Business Days after receiving such advance copies, the Contractor shall not make such public announcement or publication; provided, however, that Contractor may disseminate or release such information in response to requirements of Governmental Authority.

8.15. Complete Agreement.

This Agreement together with the Exhibits hereto completely and exclusively states the agreement of the Parties regarding its subject matter and its terms govern, all prior proposals, agreements, or other communications between the Parties, oral or written, regarding such subject matter. No oral agreement or conversation with any officer or employee of either Party or any or all prior proposals shall affect or modify any of the terms and conditions of this Agreement. This Agreement shall not be modified except by written amendment signed on behalf of the City and Contractor by their duly authorized representatives. Any purported oral amendment to the Agreement shall have no effect.

8.16. No Agency.

This Agreement is not intended, and shall not be construed, to create any association, joint venture, agency relationship or partnership between the Parties or to impose any such obligation or liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act as or be an agent or representative of, or otherwise bind, the other Party.

8.17. Priority of Documents.

In the event of conflicting provisions between any of the Contract Documents, the provisions shall govern in the following priority: first, duly executed amendments to this Agreement (to the extent not superseded by a subsequent amendment); second, this Agreement; third, Work Order in Exhibit C, and fourth, the other Contract Documents.

8.18. Assignment.

No Party shall be entitled to assign or subcontract this Agreement or any of its rights or obligations under this Agreement, nor shall it enter into any transaction as a result of which it may transfer, assign, charge or dispose by any title of any of those rights and obligations, without the prior written consent of the other Party, which shall not be unreasonably withheld, provided that Contractor may subcontract that portion of the Work to Subcontractors. Notwithstanding the foregoing, (i) without the consent of the Contractor, City shall be entitled to assign its right, title and interest in and to this Agreement (and, in particular, any rights arising in relation to any insurance policy and any other right to collect any amount from Contractor) to any lenders by way of security for the performance of obligations to such lenders; (ii) without consent of the City,

Contractor shall be entitled to assign its right, obligation, title and interest in and to this Agreement in connection with a merger or acquisition of Contractor; and (iii) without consent of City, Contractor shall be entitled to assign its right, obligation, title and interest in and to this Agreement to an Affiliate of the Contractor.

8.19. No Waiver.

Either Party's failure to enforce any provision of this Agreement or the waiver thereof in a particular instance shall not be construed as a general waiver of any part of such provision. The provision shall remain in full force and effect.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties hereto have duly executed and delivered this Agreement as of the date set forth above.

**City of Orange Cove,**  
a City organized and existing under the laws  
of the State of California

By: \_\_\_\_\_  
Name: Rudy Hernandez  
Title: Interim City Manager

**SitelogIQ, Inc.,**  
a Delaware corporation

By: \_\_\_\_\_  
Name: Kecia Davison  
Title: President, West Energy  
Contractor's License #: 1054171

## EXHIBIT A DEFINITIONS

"Affiliate" of a specified Person means any Person that directly or indirectly through one or more intermediaries' controls, is controlled by, or is under common control with, such specified Person. As used in this definition of Affiliate, the term "control" of a specified Person including, with correlative meanings, the terms, "controlled by" and "under common control with," means (a) the ownership, directly or indirectly, of 50% or more of the equity interest in a Person or (b) the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" shall have the meaning set forth in the preamble.

"Applicable Law" shall mean, with respect to any Governmental Authority, any constitutional provision, law, statute, rule, regulation, ordinance, treaty, order, decree, judgment, decision, certificate, injunction, registration, license, permit, authorization, guideline, governmental approval, consent or requirement of such Governmental Authority, as construed from time to time by any Governmental Authority.

"Applicable Permits" means those permits identified as the responsibility of Contractor as determined in Exhibit C.

"Authority Having Jurisdiction (AHJ)" means those local, state, or federal entities having regulatory authority over a specific aspect of the Project, such as building officials, Department of State Architecture, and fire departments.

"Business Day" means Mondays to Fridays, except such days on which banks are permitted or required to close in California.

"Certificate of Substantial Completion" shall mean a document in similar form to Exhibit F.

"Certificate of Final Completion" shall mean a document in similar form to Exhibit F.

"Change" shall means any addition to, deletion from, suspension of, or other modification to the quality, function, or intent of the Work, including without limitation any such addition, deletion, suspension, or other modification that effects a change in the scope of the Work. An "Unanticipated Condition" as defined in Section 3.5 hereof, experienced by Contractor during the course of the Work is included within the definition of "Change".

"Change Order" shall mean a written document signed by City and Contractor to adjust the Work Order Price or Construction Schedule as a result of a Change issued after execution of this Agreement.

"Commencement of Work" shall mean the commencement of Work for each Work Order.

"Construction Schedule" shall mean the schedule for implementation of the Work as determined by the Contractor to meet the Project Milestones as set forth on Exhibit C.

"Construction Documents" shall mean construction documents prepared by Contractor and approved by City.

"Contract Documents" shall mean this Agreement and Exhibits hereto, and drawings, specifications, plans, calculations, models and designs that are part of this Agreement and the Construction Documents prepared by Contractor and approved by City.

"Contractor" shall have the meaning set forth in the preamble.

"Contractor Representative" shall mean the individual designated by the Contractor in accordance with Section 8.1(b).

"Day" means calendar day unless it is specified that it means a "Business Day".

"Dispute" shall have the meaning set forth in Section 8.5(a).

"City" shall have the meaning set forth in the Preamble to this Agreement.

"City Permits" means those permits identified as the responsibility of City in Exhibit C.

"City's Representative" shall mean the individual designated by City in accordance with Section 8.1(a).

"Dollar" and "\$" shall mean the lawful currency of the United States of America.

"Effective Date" shall mean the date first set forth in the preamble.

"Environmental Attributes" means all environmental and other attributes that differentiate the System or the energy generated by fossil-fuel based generation units, fuels or resources, characteristics of the System that may result in the avoidance of environmental impacts on air, soil or water, such as the absence of emission of any oxides of nitrogen, sulfur or carbon or of mercury, or other gas or chemical, soot, particulate matter or other substances attributable to the System or the compliance of the System or the energy output with the law, rules and standards of the United Nations Framework Convention on Climate Change (the "UNFCCC") or the Kyoto Protocol to the UNFCCC or crediting "early action" with a view thereto, or laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency or successor administrator or any state or federal entity given jurisdiction over a program involving transferability of Environmental Attributes and Reporting Rights.

"Environmental Incentives" means all rights, credits (including tax credits), grants, rebates, benefits, reductions, offsets and allowances and entitlements of any kind, howsoever entitled or

named (including carbon credits and allowances), whether arising under federal, state or local law, international treaty, trade association membership or the like arising from the Environmental Attributes of the System on each Site or the energy output or otherwise from the development, construction, installation or ownership of the System on each Site or the production, sale, purchase, consumption or use of the energy output from each Site. Without limiting the forgoing, "Environmental Incentives" includes green tags, renewable energy credits, grants, tradable renewable certificates, portfolio energy credits, the right to apply for (and entitlement to receive) incentive programs offered by the State of California and the right to claim federal income tax credits under Section 45 or 48 of the Code as such credits are available arising from the Environmental Attributes of the system on each Site or the energy output or otherwise from the development, construction, installation or ownership of the System on each Site or the production, sale, purchase, consumption or use of the energy output from each Site.

"Equipment" shall mean (a) all materials, supplies, apparatus, machinery, equipment, parts, tools, components, instruments, appliances, spare parts and appurtenances thereto that are required for prudent design, construction or operation of the System in accordance with Industry Standards and (b) all materials, supplies, apparatus, machinery, equipment, parts, tools, components, instruments, appliances, spare parts and appurtenances thereto described in, required by, reasonably inferable from or incidental to the Work or the Contract Documents.

"Excusable Delay" shall mean a Delay outside of Contractor's control that prevents Contractor from achieving the Commercial Operation Date for any System in accordance with the Project Schedule, and to the extent that such Delay adversely affects the Work such that the performance of the Work is prevented or delayed, Contractor shall be entitled to an adjustment in the Construction Schedule and deadlines of this Agreement. For purposes of this Agreement, an Excusable Delay shall include any of the following events:

- (a) an act or failure to act of, or other delay caused by, or negligence of, City or its agents or employees;
- (b) changes in the design, scope or schedule of the Project unilaterally required by the City;
- (c) the suspension of Work in whole or in part by City;
- (d) labor disputes, fire, vandalism, delay in manufacturing and deliveries;
- (e) adverse weather conditions not reasonably anticipated and in excess of 150% of the normal weather (e.g., rain, snow, sleet) for the local geographic area for the past ten (10) years as measured in a given month;
- (f) unforeseen conditions at any Site, including discovery or existence of Hazardous Substances;

- (g) the occurrence of a Force Majeure, or other unavoidable casualties or other causes beyond Contractor's control;
- (h) the failure to obtain any Utility Interconnection Agreement, permission to operate, Applicable Permit, CEQA/NEPA approval or approval of a Governmental Authority or delays caused by changes and/or modifications to the Scope of Work as required by any Governmental Authority having jurisdiction over the Project;
- (i) any equipment or material delays caused by suppliers or vendors;
- (j) adverse changes to regulatory requirements;
- (k) any breach of this Agreement or the Utility Interconnection Agreement or any information provided to the Contractor by City or Utility is inaccurate or incomplete; or
- (l) any other cause outside Contractor's control after Contractor's best efforts to mitigate that delay, to the extent that Contractor is able to mitigate such delay, provided that a failure to perform of Contractor's subcontractors' shall not be an Excusable Delay, unless such subcontractors are unable to perform the Work as a result of any of the events described in this definition of "Excusable Delay".

"Facility" shall mean any and all properties of the City upon which the System shall be constructed or to which the System shall be connected, including land, buildings, structures, equipment, and electrical tie-in points.

"Final Completion" shall mean satisfaction or waiver of all of the conditions for completion of that portion of the System applicable to a particular Work Order as set forth in Section 5.2.

"Force Majeure Event" shall mean, when used in connection with the performance of a Party's obligations under this Agreement, any act or event (to the extent not caused by such Party or its agents or employees) which is reasonably unforeseeable, or being reasonably foreseeable, reasonably unavoidable (including by taking prudent protective and preventative measures) and outside the control of the Party which invokes it, and which renders said Party unable to comply totally or partially with its obligations under this Agreement. In particular, any of the following shall be considered a Force Majeure Event:

- a. war (whether or not war is declared), hostilities, revolution, rebellion, insurrection against any Governmental Authority, riot, terrorism, acts of a public enemy or other civil disturbance;
- b. acts of God, including but not limited to, unusually severe storms, floods, lightning, earthquakes, hailstorms, ice storms, tornados, typhoons, hurricanes, landslides, volcanic eruptions, winds in excess of ninety (90) miles per hour, drought, and objects striking the earth from space (such as meteorites) sabotage or destruction by a third party (other than any contractor retained by or on behalf of the Party) of FACILITY and equipment relating to the performance by the affected Party of its obligations under this Agreement;
- c. strikes, walkouts, lockouts or similar industrial or labor actions or disputes, in each case of a regional or national nature;
- d. changes in Applicable Law after the Effective Date that materially impact a Party's ability to perform under this Agreement; and
- e. acts of any Governmental Authority that materially restrict or limit Contractor's access to the Site.
- f. plague, epidemic, pandemic, outbreaks of infectious disease or any other public health crisis, including quarantine or other restrictions.
- g. explosion, fire, destruction of machines, equipment, factories and of any kind of installation, prolonged break-down of transport, telecommunication or electric current

"Governmental Authority" shall mean any national, autonomic, regional, province, town, City, or municipal government, or other administrative, regulatory or judicial body of any of the foregoing.

"Hazardous Material" shall mean oil or petroleum and petroleum products, asbestos and any asbestos containing materials, radon, polychlorinated biphenyl's ("PCBs"), urea formaldehyde insulation, lead paints and coatings, and all of those chemicals, substances, materials, controlled substances, objects, conditions and waste or combinations thereof which are now listed, defined or regulated in any manner by any federal, state or Applicable Law.

"Indemnified Party" shall have the meaning set forth in Section 7.4.

"Indemnifying Party" shall have the meaning set forth in Section 7.4.



"Industry Standards" shall mean those standards of care and diligence normally practiced by a majority of engineering, construction and installation firms in performing services of a similar nature in jurisdictions in which the Work will be performed and in accordance with good construction practices, Applicable Permits, and other standards established for such Work.

"Manufacturer Warranty" shall have the meaning set forth in Exhibit C.

"Notice to Proceed Date" shall mean the date that City has granted Contractor the Notice to Proceed for the Work.

"Party" shall mean, individually, each of the parties to this Agreement.

"Performance Tests" means, the tests of the System, as more particularly described in Exhibit C.

"Person" shall mean any individual, corporation, partnership, company, joint venture, association, trust, unincorporated organization or Governmental Authority.

"Project" shall mean the entirety of Work to be performed by Contractor pursuant to the terms and conditions of the Work and any Change Orders.

"Representatives" shall mean the Contractor Representative and the City Representative and each may individually be referred to as a "Representative".

"Rock" is defined as limestone, sandstone, granite or similar rocks in solid beds or masses in original or stratified position which can be removed only by continuous drilling, blasting or the use of pneumatic tools, and all boulders of 1 cubic yard in volume or larger. Material which can be loosened with a pick, frozen materials, soft laminated shale and hardpan, which for convenience or economy is loosened by drilling, blasting, wedging or the use of pneumatic tools, shall not be classified as "Rock".

"City" shall have the meaning set forth in preamble.

"Site" shall have the meaning set forth in the first recital, and is more fully described in Exhibit C. An individual Site shall mean any area of a property owned by the City upon which a System is constructed.

"Solar Plant" shall mean that portion of the System only related to converting solar radiation into electricity and explicitly excludes all energy conservation technologies.

"Subcontractor" shall mean any Person, other than Contractor and Suppliers, retained by Contractor to perform any portion of the Work (including any Subcontractor of any tier) in furtherance of Contractor's obligations under this Agreement.

"Substantial Completion" shall mean satisfaction or waiver of all of the conditions for completion of that portion of the System applicable to a particular Work Order as set forth in Section 5.1(d).

"Substantial Completion Date" shall mean the actual date on which the Substantial Completion of the System, as defined in Section 5.1(d), has occurred.

"Suppliers" shall mean those Equipment suppliers with which Contractor contracts to build the System.

"System" shall have the meaning ascribed in the Recitals to this Agreement.

"Technical Dispute" shall have the meaning set forth in Section 8.5(b).

"Third Party" shall have the meaning of any persons or entity not affiliated with Contractor or City.

"Unanticipated Condition" shall have the meaning set forth in Section 3.5.

"Work" shall mean all obligations, duties, and responsibilities assigned to or undertaken by Contractor and described in Exhibit C with respect to the System.

"Work Order" shall mean the assigned Work for each Site as described in Exhibit C.

"Work Order Price" shall mean the amount for performing the Work that is payable to Contractor as set forth in Section 3.2, as the same may be modified from time to time in accordance with the terms hereof, and as described in Exhibit C.

## **EXHIBIT B**

### **CERTIFICATIONS**

- Exhibit B-1 Drug-Free Workplace / Tobacco-Free Environment Certification
- Exhibit B-2 Non-Collusion Declaration

**DRUG-FREE WORKPLACE / TOBACCO-FREE ENVIRONMENT CERTIFICATION  
(EXHIBIT B-1)**

Government Code section 8350 et seq., the Drug-Free Workplace Act of 1990, requires that every person or organization awarded a contract or grant for the procurement of any property or service from any state agency must certify that it will provide a drug-free workplace by doing certain specified acts. In addition, the Act provides that each contract or grant awarded by a state agency may be subject to suspension of payments or termination of the contract or grant, and the contractor or grantee may be subject to debarment from future contracting, if the contracting agency determines that specified acts have occurred. The City of Orange Cove is not a "state agency" as defined in the applicable section(s) of the Government Code, but the City is a local agency and City under California law and requires all contractors on City projects to comply with the provisions and requirements of Government Code section 8350 et seq., the Drug-Free Workplace Act of 1990. Contractor shall certify that it will provide a drug-free workplace by doing all of the following:

- 1 Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited in the person's or organization's workplace and specifying actions which will be taken against employees for violations of the prohibition;
- 2 Establishing a drug-free awareness program to inform employees about all of the following:
  - a. The dangers of drug abuse in the workplace.
  - b. The person's or organization's policy of maintaining a drug-free workplace.
  - c. The availability of drug counseling, rehabilitation, and employee-assistance programs.
  - d. The penalties that may be imposed upon employees for drug abuse violations.

3 Requiring that each employee engaged in the performance of the contract or grant be given a copy of the statement required above, and that, as a condition of employment on the contract or grant, the employee agrees to abide by the terms of the statement.

I understand that if the City determines that I have either (a) made a false certification herein, or (b) violated this certification by failing to carry out the requirements of section 8355, that the Contract awarded herein is subject to termination, suspension of payments, or both. I further understand that, should I violate the terms of the Drug-Free Workplace Act of 1990, I may be subject to debarment in accordance with the requirements of section 8350 et seq.

I acknowledge that I am aware of the provisions of Government Code section 8350 et seq. and hereby certify that I will adhere to the requirements of the Drug-Free Workplace Act of 1990.

In addition, and pursuant to, without limitation, 20 U.S.C section 6083, Labor Code section 6400 et seq., Health & Safety Code section 104350 et seq. and City Board Policies, all City sites, including the

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Sites, are tobacco-free environments. Smoking and the use of tobacco products by all persons is prohibited on or in City property. City Property includes buildings, grounds, owned vehicles and vehicles owned by others while on City property. I acknowledge that I am aware of the City policy regarding tobacco-free environments and hereby certify that I will adhere to the requirements of that policy and not permit any of my firm's employees, agents, subcontractors, or my firm's subcontractors' employees or agents to use tobacco and/or smoke on the Sites.

Date:

Proper Name of Contractor: SitelogIQ

Signature: \_\_\_\_\_

Print Name: Kecia Davison

**NONCOLLUSION DECLARATION  
(EXHIBIT B-2)**

**(Public Contract Code § 7106)**

The undersigned declares:

I am the President of SitelogIQ West, the party making the foregoing Contract.

The Contract is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The Contract is genuine and not collusive or sham. Contractor has not directly or indirectly induced or solicited any other entity to put in a false or sham bid or proposal. Contractor has not directly or indirectly colluded, conspired, connived, or agreed with any other designer/builder or anyone else to put in a sham bid or proposal, or to refrain from proposing. Contractor has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the Contract Price of Contractor or any other entity, or to fix any overhead, profit, or cost element of the Contract Price, or of that of any other entity. All statements contained in the Contract are true. Contractor has not, directly or indirectly, submitted his or her Contract Price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, governing agency, or to any member or agent thereof, to effectuate a collusive or sham bid or proposal, and has not paid, and will not pay, any person or entity for such purpose.

Any person executing this declaration on behalf of a Contractor that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of Contractor.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on the following date:

Date:

Proper Name of Contractor: SitelogIQ

Signature: \_\_\_\_\_

Print Name: Kecia Davison

## WORK ORDERS

### EXHIBIT C

#### Energy Conservation Work Including Photovoltaic Renewable Energy System Installation and Lighting Retrofit

##### PROJECT SCOPE OF WORK INDEX

<u>Section 1</u>	Basis of Energy Engineering
<u>Section 2</u>	Lighting Scope of Work
<u>Section 3</u>	Solar Plant Scope of Work
<u>Section 4</u>	Proposed Project Installation Timeline & Coordination
<u>Section 5</u>	Work Milestones
<u>Section 6</u>	Fixed Price Amount
<u>Section 7</u>	Progress Payment Schedule
<u>Section 8</u>	Performance and Payment Bonds
<u>Section 9</u>	Terms and Conditions

##### 1.0 BASIS OF ENERGY ENGINEERING

Forecasted energy savings are the difference between the pre- and post-retrofit period consumption for the equipment included in the scope of Work. The pre-retrofit (or Baseline) data for this project covers the period from May 2020 through April 2021. The Baseline data takes into consideration the quantity of facilities and size; 2020/2021 building operational schedules; occupancy factors and utilization; utility usage, costs and utility rates along with the available average ASHRAE weather files for the closest weather station. Except weather files, this data has been obtained from the City.

Since Contractor does not control/follow the building operations on a day-by-day basis, it is virtually impossible to track the energy consumption and savings from utility bills due to many dynamic factors that are out of Contractor's control. These factors (permanent or temporary) include, but are not limited to: weather changes; changes in the use of any facility and number of occupants (including, but not limited to, staff and faculty); changes to the hours of operation of any facility; changes to the control system scheduling; changes or modifications to the equipment or services provided under this Agreement; changes in utility suppliers, method of utility billing, number of days in the billing cycle, utility rates or method of utility purchasing; improper maintenance of the equipment or of any energy-consuming equipment; changes to the equipment or to any facility required by changes to building codes; additions or deletions of energy-consuming equipment; personal portable heaters; refrigerators and vending machines and/or additions or deletions of any facilities (i.e. portable classroom buildings), etc.

Therefore, engineering calculations approach is based on a measure-by-measure (ECM-by-ECM) basis and is to be derived by comparing the specific value of physical parameters after the installation to its value prior to the installations. For example: lighting systems retrofit (see below) will result in lower wattage consumption than Baseline scenario. This measure is not affected by weather changes, HVAC or other unrelated equipment energy consumption that are reflected in the utility bills. Below are some key characteristics and features of the measure-by-measure energy saving calculations method:

- It calculates savings based on City inputs, field measurements, and agreed upon assumptions and stipulations.
- It does not involve utility bill comparisons; however, utility bills may be analyzed to identify energy consuming trends and correlations.
- It is structured so that the individual measure's savings, as described in Scope of Work, shall not be affected by unrelated building modifications.

In any event, the overall energy use of the facility would be lower than if the energy saving measures (retrofits) identified in the facility solutions project herein had not been implemented.

If desired, Contractor may provide additional utility data analysis and benchmarking based on the standard engineering principals for an additional fee (excluded from this Scope of Work). The City is to notify Contractor in writing no later than thirty (30) days after any changes as outlined above made to the Property that would affect the energy usage at the Property. The City shall make available to Contractor no later than thirty (30) days upon receipt, on a monthly basis for at least one year after Completion and Acceptance Date, copies of required energy bills, energy usage data, and any other such documentation related to changes to energy usage as outlined above.

Scope of Work presented herein is based on retrofits feasibility, cost effectiveness and maximum energy savings for the different ECM's. Equipment brand and/or materials noted herein can be substituted with equal equipment/materials based on the availability and costs at the time of the scheduled installation, constructability and other considerations as determined by the engineer and project manager.

In order to achieve energy savings in the future years and for trouble-free operation, City agrees to maintain and service the equipment and systems included in the Scope of Work per equipment manufacturer's guidelines and in accordance with industry standards as applicable to the specific systems. The City may need to provide accurate preventative maintenance and repair records for any work performed on the systems included herein.

## **2.0 GENERAL LIGHTING SCOPE OF WORK**



Energy savings are realized as result of the total input watts of the lighting fixtures being reduced. Energy savings resulting from the Lighting System Retrofit have been estimated for each individual light fixture type based on the following simple formula:

Annual Saving, \$ = (Existing Watts – New Watts) /1000 x Hours/Year x Utility Rate x N

Where,

Existing Watts – Wattage rating for the existing (Baseline) light fixture

New Watts – New wattage rating for the existing light fixture

Hours/Year – Annual number of “burn-hours” (run hours for different areas)

Utility Rate – Actual weighted composite utility rate, \$/kWh

N – Number of light fixtures of the particular type (see below for the actual quantities).

Currently the (8) sites have a mixture of lighting technologies. In general, past modernization and retrofit projects included the upgrading of several sites with first generation electronic ballasts and T8 fluorescent lamps. Areas not inclusive of these past projects are still using older style inefficient T12 fluorescent lamps.

This project will provide a significant energy reduction while greatly improving the overall quality and quantity of light. T12 fluorescent lamps included in the Lighting Scope of Work below will be replaced with High Efficiency low wattage 4<sup>th</sup> generation electronic ballasts coupled with L.E.D. lamps. In addition to the linear fluorescent fixture retrofits, incandescent and CFL lamps identified in the scope of work below will be replaced with L.E.D. lamps or fixtures unless specifically excluded.

Exterior lighting included in this project will be replaced with new L.E.D. fixtures or lamps as applicable.

In areas (if any) with bi-level lighting in linear lamp applications, our standard retrofit practice includes “checker-boarding” luminaires.

Expended lighting lamps and ballasts will be disposed of per current EPA regulations. Any lighting ballasts removed that contain PCB’s will be treated as Hazardous waste and disposed of per EPA hazardous waste regulations.

Unless specifically requested by the City, the intent of lighting retrofit Work is not to increase the light levels but rather to maintain the existing or better lighting levels while maximize energy savings without re-designing the overall system. In some cases, where the areas are over illuminated (per Illumination Engineering Society recommendations), light levels may be reduced to the recommended levels.

Scope of Work presented herein is based on retrofits feasibility, cost effectiveness and maximum energy savings for the different options. The presented retrofits will not affect the

usability of the buildings or facilities and therefore are not alterations, additions, new construction or modification of the existing systems. The proposed Lighting Retrofits predominantly use Type A LED lamps combined with high efficiency ballast. This retrofit will not modify or alter the existing T-Bar ceiling and existing fixtures. Therefore, this scope is considered general maintenance and not a modification and/or replacement of the fixture.

As a result, the scope of work is considered maintenance replacement of the existing outdated lighting system components with like-kind components of higher efficiency and longer useful life. Maintenance related items are not considered lighting alterations and are exempted from many Title 24 provisions for the new installations. Due to the possibility of dissimilar interpretations of regulations, additional cost-incurring system upgrades may be requested. Upon the City requesting changes based on interpretations, the Contractor will provide a written change order to the City for review and approval.

The following rooms at the listed sites below were locked at the time of the lighting audit. As a result, Contractor has assumed fixture type and quantity based on surrounding areas. If those assumptions are incorrect, Contractor will notify City of any additional costs or credits.

- **Senior Center:** (3) Offices.
- **Community Center:** Room at west end of hallway.
- **BMX Track Building:** First floor room.

All the new fixtures listed below are covered with 1-year parts & labor warranty by Contractor and additional 4-year manufacturer's materials warranty.

Below is the Itemized Scope of work below for specific retrofit strategies and fixture totals for each site:

#### Water Treatment Plant

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY
2'x4' Troffer T12 4 Lamps	12	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	12
Vanity W/13w CFL	2	TCP-A19 L11A19GUD2541KCQ	2
4' Wrap T12 2 Lamp	6	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	6
8' Wrap T12 4 Lamp	3	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	3
1'x1' Recessed Canopy w/ 100w INC.	15	L100A21N25UNV40K	15
Totals			38

#### Public Works

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY

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8' Strip T8 2 Lamps	6	TCPGPS8UZDA840K	6
8' Strip T8 2 Lamps	1	(2) L96T8/840/24G-EB (1) VE259MVHIP	1
4' Wrap T8 2 Lamp	5	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	5
4' Strip T8 2 Lamp	2	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	2
250w MH Wallpack	4	9452 FXTWP80/50K/BZ-PHO / P10234 SEN- MC605V-D	4
250w Shoebox	1	9568 FXFDL150SW/66/50K/BZ-YK K141030 REC3PLK/PHO	1
<b>Totals</b>			<b>19</b>

#### Julia Lopez Child Development

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY
100w Incandescent A-Lamp	5	L100A21N25UNV40K	5
250w MH Shoebox	4	(1) 7629 LED-FXSAL100/50K/DB/3S / (1) P10101 MT-SAL/SF/DB / (1) K134178 PLT/SDB/9SWC (1) P10164 SEN-SRP280	4
4' Vaportite T8 2 Lamp	6	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	6
4' Wrap T8 2 Lamp	52	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	52
4' Wrap T8 4 Lamp	9	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	9
4'Wrap T8 3 Lamp	1	(3) L48T8/840/14G-EB / (1) VEL100BN-4C	1
Mini 70w HPS Wallpack	4	9413 FXSECW30/850/DB/MV	4
Round Circline w/4 Pin PL (2 Lamps)	1	(1) 9360 LED16FMR-200L9CCT5	1
<b>Totals</b>			<b>82</b>

#### Police/Fire Department

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY
Barnyard 250w MH	1	(1) 7631 LED-FXSAL100/50K/WH/3S / P10199 MT-SAL/WM/WH (1) K135178 PLT/SWH/9SWC (1) P10164 SEN-SRP280	1
250w MH Shoebox	3	(1)7629 LED-FXSAL100/50K/DB/3S (1) P10105 MT-SAL/EA6/DB (1) K134178 PLT/SDB/9SWC	3
250w MH Wallpack	1	(1) 9452 FXTWP80/50K/BZ-PHO / (1) P10234 SEN-MC605V-D	1
<b>Totals</b>			<b>5</b>

**Wastewater Treatment Plant**

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY
2'x4' Troffer T8 3 Lamps	21	(3) L48T8/840/14G-EB / (1) VEL100BN-4C	21
4' Wrap T8 2 Lamp	18	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	18
Wall Sconce w/ 60w INC.	1	FXSECW15/840/DB/MV	1
Totals			40

**Senior Center**

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY
2'x2' Troffer w/ U-Bends 2 Lamp	9	(2) LB48T8U6/840/13P-AB (1) VEL50BN-2C	9
2'x4' Troffer T8 2 Lamps	4	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	4
2'x4' Troffer T8 4 Lamps	16	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	16
4' Wrap T8 2 Lamp	3	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	3
4' Wrap T8 4 Lamp	3	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	3
6" Recessed Cans	20	(20) 9466 LED6CRL15SW-127L9CCT3/MV	20
6" Recessed Cans PL	22	(20) 9466 LED6CRL15SW-127L9CCT3/MV	22
Wall Sconce 40w Inc	2	L40A19D2530KCQ	2
Totals			79

**Community Center**

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY
150w HPS Wallpacks	11	(11) 9448 FXTWP38/50K/BZ-PHO / P10234 SEN-MC605V-D	11
1'x4' Troffer T8 2 Lamps	22	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	22
250w HPS Shoeboxes	2	(1) 7629 LED-FXSAL100/50K/DB/3S / (1) P10101 MT-SAL/SF/DB / (1) K134178 PLT/SDB/9SWC / (1) P10164 SEN-SRP280	2
2'x2' Recessed Hybay	6	LHID17540	6
2'x4' Troffer T8 2 Lamps	56	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	56
2'x4' Troffer T8 3 Lamps	8	(3) L48T8/840/14G-EB / (1) VEL100BN-4C	8
2'x4' Troffer T8 4 Lamps	51	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	51
4' Strip T8 2 Lamp	12	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	12
4' Wrap T8 2 Lamp	16	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	16

400w M.H. Shoebox	30	(30) 7770 LED-FXSAL150/50K/DB/3S (26) P10105 MT-SAL/EA6/DB (4) P10101 MT-SAL/SF/DB (30) K136178 PLT/LDB/9SWC	30
6" Recessed Cans PL	6	(6) 9466 LED6CRL15SW-127L9CCT3/MV	6
8' Vaportite W/ 2 T12 H.O Lamps	4	(2) L96T8HO/850/42G-ID DE	4
Jelly Jar w/ 100w Inc.	1	(1) L100A21D2541KCQ	1
Mini Wallpack - 100w HPS	10	9413 FXSECW30/850/DB/MV	10
Mini Wallpack- 42w PL's	5	9413 FXSECW30/850/DB/MV	5
Recessed Canopy w/ 2x42 PL	17	(26) CLQ18WH/840-EB w/ New Ballast	17
<b>Totals</b>			<b>257</b>

#### City Hall

ITEMIZED LIGHTING FIXTURES			
Existing Lamp Type	QTY	Proposed Lamp Type	QTY
1 Lamp T5 Strips	5	FLOW-4540K/ IC-FLOW-59	5
100w MH Canopy	10	(1) 9415 FX10SCM28/850/BK / (1) P10036 SEN- PHO-BT-MT/MV W/ PLT-SCM/14x14/WH	10
1'x1' Recessed Canopy w/ 100w INC.	7	(1) 9415 FX10SCM28/850/BK / (1) P10036 SEN- PHO-BT-MT/MV W/ PLT-SCM/14x14/WH	7
250w M.H. Shoebox	2	7629 LED-FXSAL100/50K/DB/3S / P10101 MT-SAL/SF/DB / K134178 PLT/SDB/9SWC / (1) P10164 SEN-SRP280	2
2'x2' Troffer T8 3 Lamp	1	(3) L48T8/840/14G-EB / (1) VEL100BN-4C	1
2'x4' Troffer T8 4 Lamps	9	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	9
4' Wrap T8 2 Lamps	4	(2) L48T8/840/14G-EB / (1) VEL50BN-2C	4
4' Wrap T8 3 Lamps	9	(3) L48T8/840/14G-EB / (1) VEL100BN-4C	9
4' Wrap T8 4 Lamps	9	(4) L48T8/840/14G-EB / (1) VEL100BN-4C	9
400w M.H. Shoebox	1	(1) 7770 LED-FXSAL150/50K/DB/3S / (1) P10101 MT-SAL/SF/DB / (1) K136178 PLT/LDB/9SWC	1
Mini Wallpacks- 70w MH	3	9413 FXSECW30/850/DB/MV	3
Par38 INC. Floods	16	7031 LED-FXBFD20/850/BK-SEN	16
<b>Totals</b>			<b>76</b>

#### 2.1 Lighting System Terms and Definitions

- INC Standard Incandescent style lamp
- LED Light Emitting Diode technology
- EB Electronic Ballast
- T-8 High Efficient 8/8" diameter lamp

- T-12                Inefficient 12/8" (1.5") diameter lamp
- CFL                Compact Fluorescent Lamp
- MH                Metal Halide
- HPS                High Pressure Sodium lamp
- MP                Metalarc Pro-Tech lamp
- PC                Photocell
- Flood             A type of exterior lighting fixture possessing directional capabilities.

## **2.2     Lighting Scope of Work Exclusions**

The above Scope of Work excludes the following:

- Repair of any preexisting electrical distribution problems. Upgrade of pre-existing power quality issues including but not limited to LED flickering due to grounding issues, etc. Repair or replacement of any existing lighting controls & scheduling (to remain as-is) including older controls incompatibility; new lighting controls; incompatible technology; dimmable ballasts.
- Asbestos, ballasts leaking PCB, lead removal.
- Any and all existing stadium lighting at the Community Center; any and all existing LED fixtures.
- Title 24 design & documentation (exempted); permits, reviews, and approvals (exempted).
- New acoustical ceiling tiles for the existing T-bar grid unless broken by Contractor; Seismic Strapping.
- Any additional costs associated with COVID-19 (this includes, but not limited to, safety training, sanitizing equipment, limitation on number of workers in a space, etc.).
- All work is to be completed during normal working hours Monday to Friday (excluding holidays) work week, 40 hours per week between 6:00 AM and 5:00 PM. Any request by City to change working times may result in a change order for added overtime rates.
- Any items not specified in this scope of work.

## **3.0     SOLAR PLANT SCOPE OF WORK**

### **General**

The scope of work for the new systems include engineering, permitting, procurement, construction, and commissioning, supervision, materials and supplies, labor, tools, construction equipment and machinery, utilities and transportation for the proper execution and completion of a fully integrated and operational System, unless otherwise excluded in this Scope of Work. Contractor shall perform, supervise and direct the Work in accordance with Industry Standards, Applicable Law and Project Milestone dates.

### **3.1 Solar System Summary**

The solar PV systems installations will be installed as illustrated in the Site Layout Plans provided in Section 3.13. Any changes to the location, size, or orientation shall constitute a Change Order. In summary, the solar PV systems will include the following:

1. Orange Cove Waste Water Treatment Plant solar installation will include one (1) electricity grid-connected ground mounted photovoltaic system with a total rated approximate capacity of 487.2 kW-DC-STC.

In general, the PV Systems will consist of the following:

- a. PV modules
- b. PV module support structure
- c. Inverter(s)
- d. System electrical protection
- e. Electrical disconnects
- f. Switchgear
- g. Control and monitoring systems
- h. Computer Monitoring for system information installed in main office (City to provide internet access)
- i. Outdoor rated equipment enclosures
- j. Cables, wires, jumpers, connectors, system grounding and associated trenching and/or boring
- k. Equipment foundations
- l. Lighting
- m. Signage
- n. Fencing

### **3.2 Engineering Design Services**

Contractor shall be responsible for detailed design and operational coordination of equipment and materials installed for the System. Contractor shall conform to Industry Standard and Applicable Law. The following design services shall be provided by Contractor:

- A. Civil Engineering design, including the preparation of the following:
  - Site Plan
  - Geotechnical Report (if required)
- B. Structural Engineering Design, including:
  - Foundations and other structural concrete
  - PV module support structural design
  - Structural design calculations, as required
- C. Mechanical Systems design, as required.
- D. Electrical Systems design, including:
  - PV modules

- Inverter
- DC combiners, disconnects, fuses, and wiring
- AC breakers and disconnects
- Revenue metering
- Enclosures, conduit, and wiring
- Communications and control systems as described herein
- Other electrical systems included in the scope of work

### **3.3 Permits**

Contractor shall obtain and shall file on a timely basis any documents required to obtain Applicable Permits except those permits that are the responsibility of the City ("City Permits"). City shall obtain, and shall file on a timely basis, any documents required to obtain all such City Permits. City shall pay for all taxes, fees, and costs required to obtain all Permits.

Applicable Permits include:

- Fire Marshall
- General Construction and Building Permits

City Permits include:

- CEQA (Categorical Exemption certified by the City is assumed for this project)
- Easements required to complete the work.
- All other permits required for construction of the System, except for Applicable Permits

### **3.4 Procurement**

Contractor shall procure all materials and equipment included in the Scope of Work for the installation of a complete System under this Scope of Work.

### **3.5 Construction Services**

The following services shall be provided by Contractor as part of the general construction activities:

- A. Civil construction, including surveying, clearing, grubbing, tree removal, excavation, trenching, backfill, and fencing,
- B. Structural construction, including foundations, concrete work, grouting, anchors, erection of PV racks, shade structures, and other support structures
- C. Mechanical construction (if required)
- D. Electrical construction, including PV modules, combiners, inverter, disconnects, wiring, breakers, metering, control and monitoring systems, telecom systems, and lighting systems as required for a complete System
- E. Safety services, including on-site safety equipment, personnel training, and safety monitoring of construction activities



- F. Support services, including Contractor's trailers, shaded worker rest areas, restroom facilities, and security
- G. Coordination with City's staff for site access, laydown, and storage with minimal interference with building operations
- H. Operator training services
- I. Restoration of landscape and hardscape to pre-construction condition, or in accordance with new design, as needed
- J. Construction inspections, material verification, and testing as required
- K. Lawful Disposal of refuse, spoils, chemicals, and waste materials associated with construction activities
- L. Testing and start-up services for electrical and control systems included in the scope of work. Testing shall include pre-operational functional tests, equipment calibration, and insulation resistance tests. All necessary test equipment and instrumentation will be provided.
- M. Miscellaneous consumable materials required to erect the System
- N. Coordination with City's Staff and Representatives, including Inspector of Record ("IOR") for all inspections and submittals.

### **3.6 Documentation Submittals**

Contractor will prepare and submit designs, drawings, and specifications to the City for review and approval. City shall review the documents and provide any comments in writing to Contractor within ten (10) Business Days after receipt of such documents (the "Design Review Period"). Contractor will proceed with the assumption that City has approved the documents if no comments are received within ten (10) Business Days. Any comments provided by City after ten (10) Business Days that result in re-work shall constitute a Change Order. City shall consolidate all comments for each review cycle such that Contractor does not receive comments in separate submittals at different times from various City personnel. Any re-work as a result of receiving comments in separate submittals shall constitute a Change Order. To the extent consistent with Applicable Law and Industry Standards, Contractor will incorporate City comments into the final designs, drawings, and specifications (the "Construction Documents"), as applicable. Contractor shall submit such revised documents to City for additional Design Review Periods, which shall not extend longer than ten (10) Business Days, until City approves such revised documents subject to the terms of the Agreement.

The following list is not all inclusive but defines the Contract Documents that are required to be submitted by Contractor for review and approval by the City.

- A. Facility drawing with Project improvements drawn to scale (Site Plan)
- B. Electrical design package including:
  - Single Line AC and DC diagrams

- Communication, Monitoring and Control schematics
- Electrical Circuit and Conduit schedule
- Electrical Equipment installation plans
- Lighting plan, if required
- Placard schedule
- Equipment data sheets
- C. Structural Calculations package Including:
  - Ground structural elements for ground-mount systems
  - Equipment foundations and enclosures
  - Security fencing
- D. System energy production calculations and software model based on Site Plan
- E. Approved Applicable Permits
- F. Geotechnical report including Project applicable soil properties (if required)
- G. Project Schedule
- H. Environment, Health and Safety Plan
- I. System Manual with specifications, startup, commissioning and testing procedures for relevant equipment.
- J. System Operation and Maintenance manual (O&M plan)
- K. As-Built (Record Drawings)
- L. Professional Engineer Wet Stamps and signatures on final design documents:
  - Electrical Design package
  - Structural Calculation package
- M. Interconnection Agreement with Local Utility
- N. Documentation for Rate Change with Local Utility

### **3.7 Workmanship Warranty**

Commencing on the Final Completion Date and for a period of one (1) year thereafter, Contractor warrants that the Systems will be free from defects ("Workmanship Warranty"). If a System has a defect, and City provides written notification of said defect within the one (1) year workmanship warranty period, Contractor will, at its option, either repair or replace the portion of the System that is defective at no cost to City within forty-five (45) days of notification. The Workmanship Warranty shall not apply to the extent such defect is caused by any of the following:

- (b) Alterations or repairs made to the supporting structure of any System or associated wiring and parts without Contractor's prior written approval;
- (c) Failure of a System to perform caused by legislative, administrative, or executive regulation, order or requisition of the government, local utility or public utilities commission, or any state, provincial or municipal government or official;
- (d) Use of a System beyond the scope contemplated in its operating manuals or technical specifications;

- (e) Damage to a System not caused directly or indirectly by Contractor or its subcontractors under any agreement between Contractor and City;
- (f) Force Majeure Events;
- (g) A change in usage of that portion of the Site on which the System is located which may affect building or site permits and related requirements, without the written approval of Contractor, or a change in ownership of building or property and the new owner has not signed an assumption agreement of the terms and conditions herein,
- (h) Any defect of deficiency to the extent the same results from a specific written direction from the City if, prior to implementing such written direction, Contractor advised City that City's written direction would so affect the warranty provided by Contractor hereunder.

### **3.8 Manufacturer Warranties**

Contractor shall procure and assign to City warranties from the equipment manufacturers (the "Manufacturer Warranty") to the extent said equipment is purchased and provided for the Solar Plant by Contractor. Solar energy equipment included in the scope of work for electricity generation (PV modules, inverters) shall have a minimum ten (10) year manufacturer performance warranty to protect against degradation of electrical generation output of more than 15% from their originally rated electrical output. Except as expressly provided in this Agreement, Contractor's obligations under this warranty do not apply to any defects whatsoever in the equipment purchased and provided by Contractor for the Solar Plant, provided Contractor has procured and assigned to City the Manufacturer Warranty of such equipment. Contractor makes no representation or warranty, and City shall seek no recourse from Contractor, regarding the Manufacturer Warranties, including, without limitation, any degradation in electrical generation output of the PV modules.

Contractor shall require that Manufacturers provide the following warranties:

- a. Inverters shall have a ten (10) year standard Manufacturer Warranty.
- b. PV modules shall have the following standard Manufacturer Warranties:
  - i. Five (5) year material and workmanship warranty;
  - ii. Ten (10) year power output warranty at ninety percent (90%) of rated nominal power output; and
  - iii. Twenty-five (25) year power output warranty at eighty percent (80%) of rated nominal power output.
- c. Meters shall have a one (1) year standard Manufacturer Warranty.

### **3.9 Project Closeout**

- a. Contractor shall deliver to City an owner's manual, operator's manual and as-built drawings for the System no later than ninety (90) days after Substantial

Completion occurs. For the avoidance of doubt, the as-built drawings shall be included in the punchlist items.

- b. At City's request, Contractor shall provide City's personnel with no less than one (1) full Day of detailed and complete on-site operation training with respect to the System. City's personnel shall have the qualifications necessary to perform their activities and will be hired by City or its Affiliate. Contractor shall provide City reasonable assistance in soliciting and obtaining any subsidies, rebates or incentives that may be available from any Governmental Authority pursuant to or in connection with the purchase or operation of the System or otherwise. Contractor makes no representation nor warranty to City as to the availability or amount of any such subsidies, rebates or incentives.

### **3.10 City Responsibilities**

Contractor shall not be obligated to perform any work or activity beyond the scope of the work and its other obligations under this Agreement. In particular, the following shall not be included in the Scope of Work and therefore shall be performed by City:

- a. The City shall furnish, to the extent not already provided to Contractor: (a) all surveys or other information in City's possession that describe the physical characteristics, legal limitations, and utility locations in and around the Site; (b) any prior environmental review documentation and all known information in City's possession concerning subsurface conditions, including without limitation the existence of any known Hazardous Materials, in or around the general area of the Site where the Work will be performed; (c) all relevant information in City's possession, including any structural or other relevant as-built drawings and photographs, of prior construction undertaken in the general area where the Work will be performed; (d) title reports less than one (1) year in age; and (e) any and all easements, zoning variances, planning approvals, including any resolution of any environmental impact issues, and any other legal authorization regarding utilization of the Site essential to the execution of the Work.
- b. City shall provide continuous access to the Site to perform the Work according to the Construction Schedule;
- c. City shall make water source available at the Site for construction water;
- d. City shall obtain the City Permits;
- e. City shall be responsible for hiring and paying for a Division of State Architect certified Inspector of Record;
- f. City shall select its own personnel so that it is present at the date of Substantial Completion;

- g. City shall pay for and provide communication access for system monitoring;
- h. City shall pay for all taxes, fees, and costs required to obtain all Permits;
- i. City shall provide access to, and allow Contractor the use of, water lines, sewer lines, storm water lines, power lines, fuel lines, telephone and communication lines, pipelines, and drainage ditches; and
- j. City shall be responsible for operating the System from and after Substantial Completion.

### **3.11 General Clarifications & Qualifications to Scope of Work**

- a. Scope of Work Price assumes one (1) review cycle by City of the equipment layout drawings, one (1) review cycle by City of final design documentation, and one (1) final set of as-built drawings delivered to City in electronic format and hard copy.
- b. Schedule and Scope of Work Price assumes City will review and provide comments on drawings within 10 business days.
- c. Scope of Work Price is based on code approved conduit and wiring methods.
- d. Scope of Work Price assumes that Contractor will not encounter any Rock during trenching and excavating.
- e. Scope of Work Price assumes that Contractor will not encounter any ground water during trenching and excavating.
- f. Wiring from PV panels to combiners is USE cable and not placed in raceways.
- g. Grounding as required by NEC.
- h. AC and DC wiring to be aluminum where possible.
- i. Scope of Work Price is based on the COMEX and The Steel Index (TSI) material pricing as of the Effective Date. Increases to COMEX and The Steel Index (TSI) may result in an increase in the Contract Price.
- j. Scope of Work Price is based on site parking being available to all Contractor and Subcontractor employees.
- k. Scope of Work Price is based on straight time Monday to Friday (no holidays) work week, 40 hours per week between 6:00 AM and 6:00 PM.
- l. Scope of Work Price and schedule assumes that City will receive all necessary easements within 45 business days after the Effective Date.
- m. Scope of Work assumes there are no existing encumbrances or easements on the site.

### **3.12 Solar Scope of Work Exclusions**

The Solar Work excludes the following:

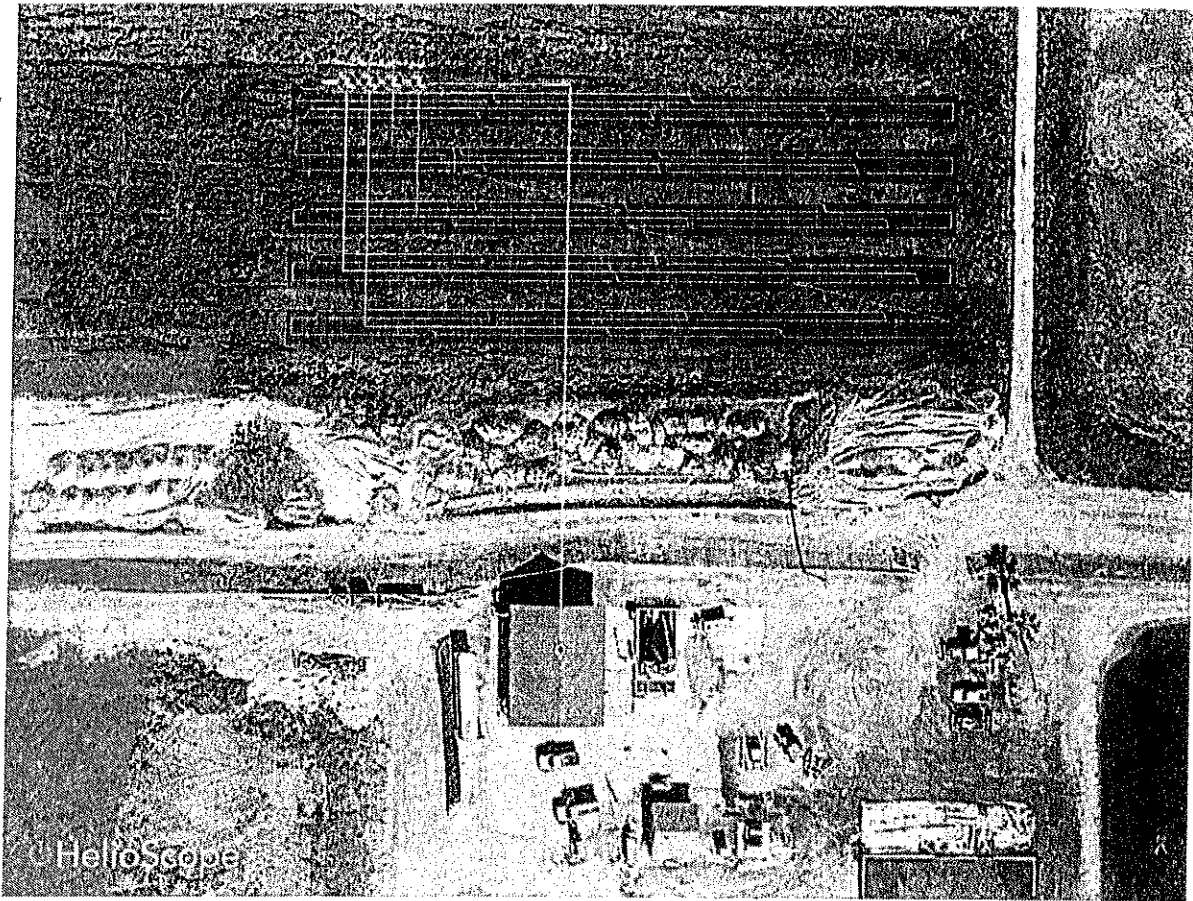
- a. Plumbing, Fire Sprinklers, Fire and Life Safety equipment and its components.

- b. Warranty, repair and/or upgrade of the existing mechanical, plumbing and electrical systems, air distribution and control systems found in disrepair or not compliant to code. Any and all systems and structure defects repairs/replacements as a result of pre-existing condition.
- c. Upgrade of the existing site electrical service capacity and transformer.
- d. Any upgrades to existing parking lots, sidewalks, etc. unless otherwise included in scope.
- e. Drill hole casing, water mitigation, or Rock drilling.
- f. Hazardous material abatement and/or removal of any kind.
- g. Plan Check Fees (to be paid directly by the City).
- h. Inspector of Record fees.
- i. Storm Water Pollution Prevention Plan (SWPPP).
- j. Americans with Disabilities Act (ADA) improvements including curb cutting, truncated dome installation, repainting, restriping, or installation of new signs.
- k. California Solar Initiative (CSI) Incentive application fees.
- l. Tree Mitigation Costs.
- m. String level monitoring.
- n. Relocation and modification of underground utilities.
- o. Premium time (except for utility tie-in).
- p. Field painting – lot striping, conduit painting, etc. above and beyond any items altered during construction or otherwise specified in the scope of work.
- q. Asphalt (fog, coating, and striping)
- r. Operation and Maintenance services.
- s. Other Fees (plan check, utility permits, parking, etc.).
- t. Any additional costs associated with COVID-19 (this includes, but not limited to, safety training, sanitizing equipment, limitation on number of workers in a space, etc.).
- u. Any items not specified in this scope.

Contractor will notify the City of any excluded work or repairs which are necessary to the function of the Work as soon as Contractor becomes aware of such, and before proceeding with related work.

### **3.13 Site Plans**

#### **WWTP PV Layout**



#### **4.0 PROPOSED PROJECT INSTALLATION TIMELINE & COORDINATION**

This project will require extensive scheduling and coordination to ensure the efficient implementation of the Work shown herein. Contractor will provide retrofit services in Phases. Each construction Phase will include a complete PV and Lighting system retrofit at a given building or site.

The City shall provide safe access to the buildings and provide the necessary security for staff safety during the rigging and equipment handling process. During the retrofit services, areas of the building designated by Contractor may need to be vacated to ensure the safety of the occupants. It will be the City's responsibility to temporarily relocate the occupants to other locations or buildings and/or, if needed, provide temporary facilities for the duration of the given phase of each project.

In order to minimize the disruption of City's operation, coordination and scheduling items shall include but are not limited to multiple trips to the job site, multiple equipment riggings, temporary relocation of the tenants, etc. Contractor will work with the City to develop a detailed

project schedule. Once the project schedule is confirmed, Contractor will provide the City with a Schedule of Values and a progress payment schedule, which corresponds to the project schedule. The installation of mechanical systems will start upon executing this Agreement and ordering and obtaining necessary equipment, parts and materials needed for installation, as listed in the scope of work. It is anticipated the construction phase of this project would be performed in 2022.

City and its representatives shall coordinate all the project activities with Contractor's Project Manager only.

## 5.0 WORK MILESTONES

Estimated Work Milestone Schedule	
Milestone	Milestone Date
Notice to Proceed	TBD
Construction Mobilization	Notice to Proceed + 16 weeks
Substantial Completion	Notice to Proceed + 40 weeks
Final Completion	Notice to Proceed + 52 weeks

Contractor shall be given a day-for-day slip in the Work Milestone Schedule for a delay in the Funding Date beyond the date shown above.

## 6.0 FIXED PRICE AMOUNT

The fixed price for this Scope of Work is Two Million, Two Hundred and Twenty-Eight Thousand, Six Hundred and Sixteen US Dollars **(\$2,228,616.00)**

The following City Controlled Contingency is included in the Fixed Price Above:

- i. Fifty Thousand US Dollars (\$50,000) for City approved Changes or Unanticipated Conditions.
- ii. Owner Controlled Contingency is for the use of the Contractor, as approved by the City, to pay for a Change or Unanticipated Condition as defined in the Agreement. Contractor shall obtain written approval from City prior to using the City Controlled Contingency. If upon Final Completion of the Project, funds are remaining in the City



Controlled Contingency, such funds shall remain unspent and allocated back to the City.

Contractor shall be entitled to, an increase in the Contract Price where the cost to Contractor for any labor, raw-material, or component (including without limitation, solar panels, tracking equipment, inverters, lighting and mechanical system components or any other equipment or materials necessary to complete the work required by this Work Order) increases after the Execution Date of the Facility Solutions Master Agreement. Such increase may be determined by the relative index for such labor, equipment, or material component including but limited to Consumer Price Index, The Steel Index, Commodity Indexes, etc. Contractor shall be entitled to an equitable adjustment in time and money for any costs that it incurs directly or indirectly that arise out of or relate to changes in taxes, tariffs, or similar charges due to such changes including, without limitation, escalation, delay damages, costs to re-procure, costs to change suppliers, costs of manufactured equipment or system components, or other costs of any kind resulting from the changes.

#### **7.0 PROGRESS PAYMENT SCHEDULE**

The City shall pay to Contractor the progress payments set forth below when Contractor has completed the Work associated with such payment. Contractor must submit documentation at the time of invoicing for related progress payments.

<b>Progress Payments Schedule</b>	
<b>Payment Milestone</b>	<b>% of Total Task Order Price</b>
Notice to Proceed	10%
Equipment Deposit	25%
Progress Payments	50%
Substantial Completion	10%
Final Completion (Retention)	5%

#### **8.0 PERFORMANCE AND PAYMENT BONDS**

Upon the written request of the City prior to commencement of work, Contractor shall provide evidence of the following bonds to City:

- a. Performance Bond. A bond issued by a corporate surety authorized to issue surety insurance in California, and reasonably acceptable to City, in an amount equal to one-hundred percent (100%) of this Scope of Work Price payable under the Agreement securing the faithful performance of this Scope of Work; and

b. Payment Bond. A bond issued by a corporate surety authorized to issue surety insurance in California, and reasonably acceptable to City, in an amount equal to one-hundred percent (100%) of this Scope of Work Price payable under the Agreement securing the payment of all claims for the performance of labor or services on, or the furnishing of materials for, the performance of this Scope of Work.

The Performance and Payment Bonds shall guarantee timely completion of the Work in accordance with this Scope of Work and shall cover the installation period. The warranty period shall extend one (1) year following Final Completion.

The surety, having provided the Performance and Payment Bonds under this Scope of Work, shall assume no liability to Contractor, City or any third parties, should Contractor fail, for any reason, to deliver acceptable warranties beyond the one (1) year warranty period following Final Completion.

#### **9.0 TERMS AND CONDITIONS**

Unless otherwise stated, this Work Order shall be completed within the terms of the Government Code Section 4217 Facility Solutions Agreement executed on January 12<sup>th</sup>, 2022 between Contractor and the City.

[Signatures to follow]

IN WITNESS, WHEREOF, the Parties hereto have duly executed and delivered this Work Order as of the date set forth below.

**SitelogIQ, Inc**  
a Delaware Corporation

By: \_\_\_\_\_ Date: \_\_\_\_\_

Name: Kecia Davison  
Title: President, West Energy

**City of Orange Cove,**  
a City organized and existing under the laws of the State of California

By: \_\_\_\_\_ Date: \_\_\_\_\_

Name:  
Title:

## EXHIBIT E INSURANCE

### Contractor Insurance Requirements

1. Required Coverages. Contractor shall carry and maintain with carriers or self-insurance, as a minimum, the following insurance coverage:
  - i. Workers Compensation Insurance and Employers Liability. In accordance with the laws of the state of where work may be done with limits for employers liability in the minimum amount of one million dollars (\$1,000,000) for each occurrence and one million dollars (\$1,000,000) for each occurrence of bodily injury on a per employee basis;
  - ii. Commercial General Liability. One million dollars (\$1,000,000) per occurrence/two million dollars (\$2,000,000) in the aggregate for bodily injury, personal injury and property damage, products and completed operations;
  - iii. Commercial Automobile Liability, Any Auto. One million dollars (\$1,000,000) per accident including owned, non-owned, and hired automobiles.
  - iv. Excess coverage of four million dollars (\$4,000,000) per occurrence and aggregate, or any other equivalent, available insurance coverage of the Contractor.
2. Policy Endorsements. Insurance coverage required to be maintained by Contractor under this Agreement shall:
  - i. provide a severability of interests or cross liability clause for Commercial General Liability Insurance;
  - ii. except in the case of worker's compensation insurance and other statutory insurances where it would be inappropriate, name City and others as may be reasonably required by City, as additional insured's; and to the extent permissible in accordance with the policy, include a waiver of subrogation by the insurers in favor of City and each of its respective assignees, Affiliates, agents, officers, directors, employees, insurers or policy issuers and a waiver of any right of the insurers to any set-off or counterclaim, whether by endorsement or otherwise, in respect of any type of liability of any of the Persons insured under any such policies.
3. Certificates. Contractor shall throughout the Agreement Term provide certificate(s) and/or memoranda of insurance evidencing the coverage specified in this Attachment E to City upon City's reasonable request.

### City Insurance Requirements

1. Required Coverage. City shall carry and maintain with carriers or self insurance, as a minimum, the following insurance coverage:
  - i. Workers Compensation Insurance and Employers Liability. In accordance with the laws of the state of where work may be done with limits for employers liability in the minimum amount of one million dollars (\$1,000,000) for each occurrence and one million dollars (\$1,000,000) for each occurrence of bodily injury on a per employee basis;
  - ii. Commercial General Liability. One million dollars (\$1,000,000) per occurrence/two million dollars (\$2,000,000) in the aggregate for bodily injury, personal injury and property damage, products and completed operations;
  - iii. Commercial Automobile Liability, Any Auto. One million dollars (\$1,000,000) per accident including owned, non-owned, and hired automobiles.
  - iv. Excess coverage of four million dollars (\$4,000,000) per occurrence and aggregate, or any other equivalent, available insurance coverage of the Contractor.
2. Policy Endorsements. Insurance coverage required to be maintained by City under this Agreement shall provide a severability of interests or cross liability clause for Commercial General Liability Insurance;
3. Certificates. City shall throughout the Agreement Term provide certificate(s) and/or memoranda of insurance evidencing the coverage specified in this Attachment E to Contractor upon Contractor's reasonable request.

**EXHIBIT F**  
**CERTIFICATE OF SUBSTANTIAL/FINAL COMPLETION AND ACCEPTANCE**

The undersigned, City of Orange Cove ("the City"), having its office at 633 Sixth Street Orange Cove, CA. 93646, having entered into the Facility Solutions Agreement ("Agreement") dated January 12<sup>th</sup> 2022, with SitelogIQ, ("Contractor"), does hereby certify as follows:

1. I am authorized to Issue this [Substantial][Final] Completion Certificate on behalf of the City.
2. As of the date hereof, all the requirements for achievement of [Substantial][Final] Completion pursuant to the Agreement have been met.

**ACCEPTANCE**

Contractor: SitelogIQ

By: \_\_\_\_\_

Name:

Title:

City:

City of \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT G  
NOTICE TO PROCEED**

SitelogIQ, Inc.  
1651 Response Rd, Suite 300  
Sacramento, CA 95815  
Kecia Davison, President, West Energy

Re: Notice to Proceed

Dear Kecia Davison:

This Notice to Proceed is being issued by City of Orange Cove ("City") to SitelogIQ, Inc. ("Contractor") pursuant to the 4217 Facility Solutions Agreement, entered into on January 12<sup>th</sup>, 2022

This Notice to Proceed authorizes the Work described by Exhibit C of the Agreement.

By signing and dating this Notice to Proceed, the parties hereto agree to these terms and represent and warrant they have the authority to execute this Notice to Proceed on behalf of their respective organizations.

**ACKNOWLEDGED & AGREED TO:**

City of Orange Cove

SitelogIQ

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: Rudy Hernandez

Name: Kecia Davison

Title: Interim City Manager

Title: President, West Energy

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OPERATIONS & MAINTENANCE AGREEMENT**

by and between

City of Orange Cove

and

SitelogIQ, Inc.

1651 Response Road., Suite 300

Sacramento, California 95815



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## **EXHIBITS**

Exhibit A	Definitions
Exhibit B	System Services
Exhibit C	Insurance
Exhibit D	Permits
Exhibit E	Annual Energy Production Evaluation
Exhibit F	Rates for Additional Services
Exhibit G	Energy Reporting and Management Services

## OPERATION AND MAINTENANCE AGREEMENT

This Operation and Maintenance Agreement ("Agreement") is entered into as of \_\_\_\_\_, between the City of Orange Cove, a City organized and existing under the laws of the State of California ("City") and SitelogIQ, Inc., a Delaware corporation doing business as SitelogIQ, Inc ("Operator").

### RECITALS

WHEREAS, City intends to construct, install, and commission a small-scale photovoltaic solar electric facilities (individually called System, together called "Systems").

WHEREAS, the Systems will be constructed at various client sites (individually called Site, together called Sites).

WHEREAS, the Systems and Sites are as follows:

System	Site
487.2 kW DC	Orange Cove Wastewater Treatment Plant S.Monson Ave. & S. Parlier Ave., Orange Cove, CA 93646

WHEREAS, SitelogIQ, Inc., and City have entered into a Facility Solutions Agreement ("FSA") pursuant to which Installer has agreed to design, construct and deliver the Systems on behalf of City; and

WHEREAS, Operator, in its capacity as operator hereunder, has agreed to operate and maintain the Systems under the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

## **AGREEMENT**

### **1. DEFINITIONS**

Unless otherwise required by the context in which any term appears: (a) capitalized terms used in this Agreement shall have the respective meanings set forth in Exhibit A; (b) the singular shall include the plural and vice versa; (c) the word "including" shall mean "including, without limitation"; (d) references to "Sections" and "Exhibits" shall be to sections and exhibits hereof; (e) the words "herein", "hereof" and "hereunder" shall refer to this Agreement as a whole and not to any particular section or subsection hereof; and (f) references to this Agreement shall include a reference to all Exhibits hereto, as the same may be amended, modified, supplemented or replaced from time to time.

### **2. SERVICES**

#### **2.1. System Services**

- (a) Throughout the Term of this Agreement, Operator shall provide System Services as set forth in Exhibit B for the Systems.
- (b) Operator shall perform an Annual Energy Production Evaluation for each System.
- (c) System Services shall be performed in accordance with Industry Standards and Applicable Law for photovoltaic solar projects in California.
- (d) All periodic maintenance and inspection services shall be performed at regular intervals as described in Exhibit B
- (e) All maintenance and inspection services shall be performed by qualified technical personnel in accordance with the operation and maintenance manuals.
- (f) Operator personnel and agents will check-in at offices during business hours prior to beginning Work.
- (g) Repair of damaged/vandalized Systems shall be performed by Operator, as directed by City, at the rates specified in Exhibit F.
- (h) Any other City requested services not defined in this Agreement shall be billed at the rates specified in Exhibit F on a time and materials basis.

#### **2.2. Annual Reports and Meeting**

Throughout the Term, Operator shall furnish to City the Annual maintenance/inspection report ("Annual Report") covering all Systems for the twelve-month period ending on December 31 of each calendar year. The first reporting period of the Term shall begin upon Final Completion (as set forth in the FSA) and extend through December 31. The Annual Report shall be submitted

within two (2) months from the period ending. The Annual Report shall include the following:

- a. Summary of operations;
- b. Weather and energy production data;
- c. Calculation of Cumulative Annual Energy Production;
- d. System performance data;
- e. Reports of any environmental disturbances (e.g. chemical spills);
- f. Safety/accident reports;
- g. Summary of Additional Services, if any;
- h. Maintenance and inspection logs; and
- i. Proposal of actions required to be taken by Operator, if any.

2.3. Warranty

- (a) Subject to the limitations set forth in this Section 2.3, commencing on the Final Completion Date, and for a period of ten (10) years, Operator warrants that the System will be free from defects in materials and workmanship under normal operating conditions and shall conform to the final System design provided by the Operator under the FSA. If the System has a defect that causes it to fail to conform to any of the foregoing Warranties, Operator will, at its option, either repair or replace the portion of the System that is defective at no cost to the City.

Subject to the limitations set forth in this Section 2.3, commencing on the Final Completion Date for each system, Operator shall provide a ten (10) year warranty to protect against defects and undue degradation of electrical generation output of the Solar Plant ("Operator Warranty") in compliance with the California Public Utility Code 387.5(d)(4). Operator Warranty shall include the following:

- (i) Ten (10) year warranty to protect City against more than 15% degradation of electrical generation output that may occur as a result of faulty installation.
- (ii) Ten (10) year warranty to provide for no-cost repair or replacement of a defect not otherwise covered by Manufacturer Warranties provided such defect causes more than fifteen percent (15%) degradation of electrical generation output.

If the System has a defect that causes it to fail to conform to any of the foregoing Warranties, Operator will, at its option, either repair or replace the portion of the Solar Plant that is defective at no cost to the City.

- (b) This Warranty shall not cover any defects to the extent such defect is caused by any of the following:

- (i) Alterations or repairs made to the System by anyone except for Operator or Operator's Subcontractors without Operator's prior written approval;
- (ii) Failure of the System to perform caused by legislative, administrative, or executive regulation, order or requisition of the government, local utility or public utilities commission, or any state, provincial or municipal government or official;
- (iii) Use of the System by anyone except for Operator or Operator's Subcontractors beyond the scope contemplated in its operating manuals or technical specifications;
- (iv) Damage to the System not caused directly or indirectly by Operator or its Subcontractors under any agreement between Operator and City;
- (v) Damage or property loss to the System caused by third parties including, but not limited to, vandalism and theft.
- (vi) Manufacture defects or Return merchandise authorization (RMA) of equipment.
- (vii) Force Majeure Events; and
- (viii) A change in usage of the Site, which may affect building or site permits and related requirements, without the written approval of Operator, or a change in Ownership of building or property and the new City has not signed an assumption agreement of the terms and conditions herein.

Corrections, repairs, or replacement covering the equipment, materials, and labor as a result of the defects above shall be billed at the rates specified in Exhibit F, on a time and materials basis

- (c) The Operator Warranty assumes that all Manufacturer Warranties have been assigned to the City under the FSA. Operator's obligations under the Operator Warranty do not apply to defects in materials or equipment provided by Manufacturer Warranty. Operator makes no representation or warranty, and City shall seek no recourse from Operator, regarding the warranties of the manufacturers, including, without limitation, the power output of the PV modules.
- (d) To the extent that Equipment Warranties cover replacement and/or repair of any System equipment during the Term, it shall be Operator's responsibility under this Agreement to use commercially reasonable efforts to submit, process and pursue, at Operator's sole cost and expense, warranty coverage; provided, however, that, because warranty claims may

need to be submitted in the name of City, City shall provide such full and complete cooperation as Operator may reasonably require in connection with such submission, processing and pursuit of warranty coverage.

- (e) Operator agrees to act as agent on behalf of City for purposes of Section 2.3(d). If, in the event the equipment manufacturer denies responsibility for warranty service and Operator is instructed by City to pursue action against the equipment manufacturer, whether through litigation or otherwise, City shall reimburse Operator for any of the costs, expenses, or repairs incurred by Operator in this context, even if such attempt to recover from the equipment manufacturer fails, provided that such failure is not the result of errors or omissions by Operator. Such costs shall be reimbursed by City to Operator within thirty (30) days of receipt of invoice.
- (f) This Warranty shall expire ten (10) years (one hundred twenty (120) months) after Final Completion Date for each System.
- (g) Except as expressly provided herein or in the Agreement, Operator expressly disclaims any and all warranties of any kind, express, implied or statutory, including without limitation any implied warranties of merchantability and/or fitness for a particular purpose.

#### 2.4. Insurance

Without limiting any of the obligations or liabilities of either of the Parties, each of the Parties shall at all times throughout the Term of this Agreement and any renewal thereof, carry and maintain, or cause to be carried and maintained, at its own expense, such insurances coverage in Exhibit C.

#### 2.5. General Obligations of City

City shall ensure that Operator and its authorized agents, employees or Subcontractors shall have reasonable access to the Site in order to provide scheduled or unscheduled maintenance activities, maintenance of the grounds, emergency services, or to conduct other System Services, in all cases, to the extent that such activities and/or services are within the scope of this Agreement and are provided in accordance with the terms of this Agreement. Except in the case of an emergency, Operator shall give 48 hours prior written notice to the appropriate client site administrator, whose name and contact information shall be provided to Operator, before any entry onto the Site by Operator's employees, agents or contractors.

#### 2.6. Permits

- (a) Subject to Section 2.6(c), Operator shall be responsible, at its sole cost and expense, for procuring, obtaining, maintaining and complying with all Operator Acquired Permits (Exhibit D) required to perform System Services under this Agreement;

- (b) Subject to Section 2.6(c), City shall be responsible for procuring, obtaining, maintaining and complying with all City Acquired Permits (Exhibit D) applicable as of the date hereof. If any new City Acquired Permits shall become required for the operation of the System due to a change in the Applicable Law after the date of this Agreement, City shall obtain such permits in a timely manner and at its sole cost and expense, except where such additional City Acquired Permits arise as a result of any omission, neglect or default of Operator, in which case Operator shall reimburse City for any costs or losses arising as a result of or in connection with procuring, obtaining, maintaining and complying with such City Acquired Permits.
- (c) To the extent that a Party is required to obtain any Applicable Permits, the other Party agrees to cooperate with and assist that Party in obtaining the same and the Party which is required to obtain such Applicable Permits shall reimburse the other Party for its reasonable costs in providing such assistance. Notwithstanding anything in this Agreement to the contrary, Operator shall be required to comply with Applicable Law as in effect on the date of this Agreement at no additional charge to City. Following the date of this Agreement, any costs incurred by Operator in performing its obligations hereunder resulting from changes in Applicable Permit conditions or requirements, or changes in Applicable Law, shall be borne by City except to the extent it does not involve an increase in the scope of System Services.

#### 2.7. Telephone & Data Communication

City shall directly pay any utility or other third party service provider invoices as become due as may be required for Operator's remote access to telephone and/or data communications service available at the Site to the extent necessary for the performance by Operator of System Services under this Agreement. City will be responsible for all monthly service charges related to telephone and data communications services.

#### 2.8. Storage

To the extent Operator has established space on the Site and to the extent that any such use is permitted under Applicable Law, Operator may use such space for storing parts and supplies necessary for the performance of System Services. At Operator's option and upon the written approval of City, additional storage sheds may be installed at the Site at Operator's expense. Operator must seek and obtain building permits and other local permits and approvals required in connection therewith (which shall be designated as Operator Acquired Permits) and City shall reasonably cooperate in obtaining such permits and approvals. Operator shall maintain any space utilized in accordance with this Agreement as if it were part of System Services and shall be required (at its own cost), if requested by City, to remove any storage sheds installed at the Site at the end of the Term.

#### 2.9. Duty to Cooperate



City shall cooperate with Operator in taking all actions reasonably requested by Operator (i) to ensure that parties with whom City has agreements or relationships that are essential to System Services are available and able to perform as contemplated in this Agreement. City shall be directly responsible for all utility costs (water, communication, electricity) of the System except to the extent that such costs arise as a result of the omission, neglect or default of Operator.

3. TERM

3.1. Term

- (a) The term of this Agreement ("Term") includes the period during which System Services are to be provided for the Systems and shall commence when the first System has achieved Final Completion (as defined in the FSA); and expire (i) one hundred twenty (120) months after the last System has achieved Final Completion.
- (b) The Term shall be subject to the provisions of Section 3.2 (Termination).
- (c) Termination of this Agreement shall be without prejudice to Operator's right to receive a proportional amount of the Service Fees that have accrued up to the date of Termination.
- (d) No later than one hundred eighty (180) calendar days prior to the end of the Term, City may request that the Term of this Agreement be extended by an additional period specified in such request. Parties shall negotiate an extension in good faith and in a timely fashion prior to the expiration of the Term, though neither Party shall not be obligated to enter into an extension.

3.2. Termination

- (a) City may terminate this Agreement in the event of any of the following:
  - (i) Operator becomes Insolvent; or
  - (ii) Failure by Operator to perform any of its material obligations under this Agreement, which failure is not remedied within thirty (30) calendar days of written notice of such failure from City to Operator; provided that if such failure can be remedied, and (1) such failure cannot reasonably be remedied within such thirty (30) calendar day period, and (2) Operator commences cure of such failure within such thirty (30) calendar day period and thereafter diligently seeks to remedy such failure, then City shall not be entitled to terminate this Agreement until such time as Operator ceases all reasonable endeavors to cure such failure unless such failure continues for a period of a ninety (90) calendar days from the original written notice from City; or

- (iii) A Force Majeure Event occurs which prevents Operator from providing a material part of System Services for a continuous period of at least one hundred eighty (180) calendar days and City reasonably concludes such prevention is not reasonably likely to be remedied within a further period of one hundred eighty (180) calendar days. Subject to Section 6.5, City shall compensate Operator for all System Services completed prior to the termination date.
- (b) Operator may terminate this Agreement in the event of any of the following:
  - (i) City fails to pay to Operator any amounts due under this Agreement (other than any amounts which are the subject of a good faith dispute) within fifteen (15) calendar days of written notice of such failure from Operator to City, provided that failure to pay shall not be on account of the negligence or willful action or inaction of Operator; or
  - (ii) Material breach by City of any of its obligations under this Agreement, which materially impairs Operator's ability to perform its obligations under this Agreement, and which breach is not remedied within thirty (30) calendar days of written notice of such failure from Operator to City; provided that (1) if such failure can be remedied, and (A) such failure cannot reasonably be remedied within such thirty (30) calendar day period, and (B) City commences cure of such failure within such thirty (30) calendar day period, and thereafter diligently seeks to remedy such failure, then Operator shall not be entitled to terminate this Agreement until such time as City ceases reasonable efforts to cure such failure unless such failure continues for a period of ninety (90) calendar days from the original written notice from Operator; and (2) failure of City to perform its obligations is not on account of the negligence or willful action or inaction of City; or
  - (iii) City becomes Insolvent.
- (c) Parties may terminate this Agreement, either partially or in whole, by mutual written consent. Termination by mutual consent may be initiated by either Party at any time by written means. Upon such termination, City shall compensate Operator for all System Services completed prior to the termination date.
- (d) A notice of termination given pursuant to the foregoing provisions of this Section 3.2 ("Termination Notice") shall specify in reasonable detail the circumstances giving rise to the Termination Notice. Except to the extent

otherwise provided herein, this Agreement shall terminate on the date specified in the Termination Notice, which date shall not be earlier than the date upon which the applicable Party is entitled to effect such termination as provided above.

- (e) Termination of this Agreement shall not affect any rights or obligations as between the Parties which may have accrued prior to such termination or which expressly or by implication are intended to survive termination whether resulting from the event giving rise to termination or otherwise, including, without limitation, Sections 6.7 and 6.8.

#### 4. SERVICE FEES

##### 4.1. Compensation

As compensation for provision of System Services by Operator, City shall pay Operator an annual fee of **fifteen thousand, seven hundred dollars (\$15,700) inflating at 3.0% annually**, for each year during the Term ("Service Fees"). Service Fees are due within thirty (30) calendar days of Invoice Date. First annual invoice will be submitted to the City upon Final Completion of the Project as defined in the FSA. All subsequent invoices will be submitted annually.

##### 4.2. Late Payments

Overdue payment obligations of City hereunder shall bear interest from the date due until the date paid at a rate per annum equal to the rate published by the Wall Street Journal as the "prime rate" on the date on which such interest begins to accrue plus two percent (2%).

##### 4.3. Disputed Payments

In the event that City disputes any portion of an invoice submitted by Operator, City shall pay the undisputed portion thereof when due. All disputed payments shall be resolved in accordance Section 6.5.

#### 5. OPERATOR'S GUARANTEE

- (a) Operator shall conduct and provide to City an evaluation each calendar year during the effective Term of the Agreement to determine the Cumulative Annual Energy Production from all the Systems combined.
- (b) The Cumulative Annual Energy Production shall be measured for each complete calendar year, January 1 to December 31 ("Annual Production Period"). No evaluation will be performed for the first partial period (Final Completion for all Systems to the first December 31 of the Term) and the final partial period evaluation will be prorated (Jan 1 of the Term to Term expiration).

- (c) The Cumulative Annual Energy Production shall be compared to the Expected Annual Energy Production calculated upon Final completion for all the Systems combined to evaluate the performance of the Systems.
- (d) Operator hereby guarantees to City an energy output of ninety percent (90%) of the Expected Annual Energy Production for the aggregate of the Systems for each Annual Production Period ("Energy Production Guarantee"), subject to the adjustments in Section 5(g), 5(h), 5(i), and 5(j).
- (e) The evaluation shall be conducted in accordance with the procedures provided in Exhibit E.
- (f) If the Systems fail to meet the Energy Production Guarantee, then within ninety (90) calendar days after the failure is identified, the Operator shall pay the City the difference between the Cumulative Annual Energy Production and the Energy Production Guarantee for such period multiplied by the Power Payment (\$0.17/kWh) ("True-Up Refund"). The True-Up Refund shall increase three percent (3%) Annually upon commencement of the Term.
- (g) If the Cumulative Annual Energy Production is more than one hundred five percent (105%) of the Expected Annual Energy Production, then the City shall give a kWh credit to the Operator for every kWh between the measured Cumulative Annual Energy Production and one hundred five percent (105%) of the Expected Annual Energy Production for such Annual Production Period. Operator shall be entitled to apply this credit to any future Annual Production Period at the Operator's sole discretion.
- (h) The Expected Annual Energy Production for the combined Systems shall be reduced accordingly for the period of time any System is not in operation in connection with (a) temporary removal of the System, a movement to an alternate location, or a temporary shutdown of the System or any portion thereof; (b) the occurrence of an event of Force Majeure has temporarily impaired or disabled the operation of any System or any portion thereof; (c) City interferes with the System; (d) vandalism or theft, (e) Utility caused outages, or (f) any manufacturer defects that cause outages. Operator shall provide and justify data verifying the loss of generation using the System Model defined in Exhibit E.
- (i) Operator's Expected Annual Energy Production shall proportionately terminate and be of no further force or effect if any System, or any portion thereof, is subject to a permanent shutdown or an event of Force Majeure occurs, the effect of which to permanently impair or interfere with the operation of the System, or any portion thereof.
- (j) The Parties agree that City shall avoid activities that result in overshadowing or shading of the Systems in a manner that would prevent

Operator from satisfying its Energy Production Guarantee. In the event the Systems, or any portion thereof, is overshadowed or shaded in a manner that prevents Operator from satisfying its Energy Production Guarantee for any reason beyond the control of Operator, City agrees that Operator's Expected Annual Energy Production shall be reduced accordingly. Operator shall provide and justify data verifying the loss of generation using the System Model of the System due to overshadowing or shading.

6. MISCELLANEOUS

6.1. No Partnership

This Agreement is not intended, and shall not be construed, to create any association, joint venture, agency relationship or partnership between or among the Parties or to impose any such obligation or liability upon any Party. No Party shall have any right, power or authority to enter into any contract or undertaking for, or act as or be an agent or representative of, or otherwise bind, the other Party or Parties.

6.2. Party Representatives

- (a) City Representative. City designates, and Operator agrees to accept, Rudy Hernandez, as "City Representative" for all matters relating to City's performance under this Agreement. The actions taken by City Representative regarding such performance shall be City the acts of City and shall be fully binding on City. City may, upon written notice to Operator, change the designated City Representative.
- (b) Operator Representative. Operator designates, and City agrees to accept, John Gajan, as "Operator Representative" for all matters relating to Operator's performance under this Agreement. The actions taken by Operator Representative shall be deemed the acts of Operator. Operator may, upon written notice to City, change the designated Operator Representative.

6.3. Notices and Demands.

Any notice, request, demand or other communication required or permitted under this Agreement, shall be deemed to be properly given by the sender and received by the addressee if made in writing and (a) if personally delivered; (b) three (3) days after deposit in the mail if mailed by certified or registered air mail, post prepaid, with a return receipt requested; or (c) if sent by facsimile with confirmation. Mailed notices and facsimile notices shall be addressed as follows to:

**City:**

Name: City of Orange Cove  
Attention: Rudy Hernandez  
Address:

Phone: (559) 626-4488  
Facsimile:  
Email: [rudu@cityoforangecove.com](mailto:rudu@cityoforangecove.com)

With a copy to:

Name: Tuttle & McClosky  
Attention: Daniel T. McCloskey  
Address: 750 East Bullard, Suite 101 Fresno, CA. 93710

**Operator:**

SitelogIQ Inc.  
Attention: John Gajan, Senior VP of Operations  
1651 Response Road, Suite 300  
Sacramento, CA 95815  
Phone: (925) 307-4461  
Email: [john.gajan@sitelogiq.com](mailto:john.gajan@sitelogiq.com)

6.4. Fingerprinting.

Unless exempted, Operator and its Subcontractors shall comply with the applicable requirements of Education Code Sections 45125.1 and 45125.2 with respect to fingerprinting of Operator and Subcontractor's employees and representatives who perform Work at the Site.

6.5. Force Majeure Event

- (a) Neither Party shall be considered to be in default of its obligations under this Agreement when and to the extent that performance of such obligations is prevented by any Force Majeure Event which arises after the date of this Agreement.
- (b) If either Party shall rely on the occurrence of a Force Majeure Event as a basis for being excused from the performance of its obligations under this Agreement, then the Party relying on the event or condition shall (i) provide prompt notice to the other Party of the occurrence of the Force Majeure Event, giving an estimation of its expected duration and the probable impact on the performance of its obligations hereunder; (ii) exercise all commercially reasonable efforts to continue to perform its obligations hereunder; (iii) expeditiously take any action within its reasonable control to correct or cure the Force Majeure Event excusing performance; (iv) exercise all commercially reasonable efforts to mitigate or limit damages to the other Party to the extent such action will not adversely affect its own interests; and (v) provide periodic notices to the other Party with respect to its actions and plans for actions in accordance with (ii), (iii) and (iv) above and promptly notify to the other Party of the cessation of the event or condition giving rise to it being excused from performance.

- (c) In the event that Operator is prevented from providing all or part of System Services as a result of a Force Majeure Event for a period of thirty (30) consecutive days and it is reasonably expected that Operator will not be able to resume full performance of System Services within an additional thirty (30) days, City shall be entitled to require Operator to reduce the scope of System Services commencing as of the date of such notice by City until such time as Operator can demonstrate, to the reasonable satisfaction of City, that Operator is able to resume full performance of System Services. As from the date on which City reduces System Services until the date on which Operator resumes full performance of System Services, the obligation of City to pay the fee pursuant to Section 4 shall be reduced proportionately to take account of the level of System Services that Operator is actually performing.
- (d) Operator shall document any Force Majeure Event and its consequences so that costs which are directly attributable to such Force Majeure Event may be claimed by City from any insurance carried by City.

6.6. Dispute Resolution

- (a) Good faith negotiations. In the event that any question, dispute, difference or claim arises out of or in connection with this Agreement, including any question regarding its existence, validity, performance or termination (a "Dispute"), which either Party has notified to the other, senior management personnel from both Operator and City shall meet and diligently attempt in good faith to resolve the Dispute for a period of thirty (30) days following one Party's written request to the other Party for such a meeting. If, however, either Party refuses or fails to so meet, or the Dispute is not resolved by negotiation, the provisions of Subsections (b), (c) and (d) of this Section shall apply to the extent applicable to the Dispute.
- (b) Technical Dispute. Technical Disputes shall be resolved by an independent expert. For the purposes of this Agreement, a "Technical Dispute" shall mean a Dispute regarding whether the System conforms to the Industry Standards related to operation and maintenance. All Technical Disputes shall be resolved on an accelerated basis by a nationally recognized professional expert mutually agreed in writing by Operator and City. Parties will share equally in the cost of the independent expert engaged to resolve Technical Disputes.
- (c) Non-Binding Mediation. If the Dispute remains unresolved, a Party may require that a non-binding mediation take place with a mediator mutually chosen by City and Operator. If City and Operator are unable to agree on a mediator, then either may request that the American Arbitration Association (the "AAA") to appoint a mediator. The mediator's fee and expenses shall be paid one-half by City, and one-half by Operator. In any

such mediation, representatives of the Parties with authority to resolve the dispute shall meet for at least three hours with mediator. The obligation to mediate shall not be binding upon any Party with respect to (i) requests for preliminary injunctions, temporary restraining orders, specific performance, or other procedures in a court of competent jurisdiction to obtain interim relief deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution by arbitration of the actual Dispute; (ii) actions to collect payments not subject to bona fide Dispute; or (iii) claims involving third parties who have not agreed to participate in the mediation of the Dispute. The provisions of this Section 6.5 shall survive any termination of this Agreement.

- (d) Attorneys' Fees. The prevailing Party in any action brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with such an action from the other Party.

6.7. Indemnification.

The Parties hereto agree to defend, indemnify and hold one another harmless from and against any and all liability, loss, expense, attorneys' fees, or claims for injury and/or damages arising from or in any way connected to the performance of this Agreement, but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of the indemnifying party, its officers, agents or employees.

6.8. Consequential Damages.

Notwithstanding any other provision of this Agreement, and to the fullest extent permitted by law, neither the City nor Operator, their respective officers, directors, partners, employees, contractors or subconsultants shall be liable to the other or shall make any claim for any incidental, indirect or consequential damages arising out of or connected in any way to the project or to this Agreement. This mutual waiver of consequential damages shall include, but is not limited to, loss of use, loss of profit, loss of business, loss of income, loss of reputation or any other consequential damages that either party may have incurred from any cause of action including negligence, strict liability, breach of contract and breach of strict or implied Warranty.

6.9. Limit of Liability.

To the maximum extent permitted by law, City agrees to limit Operator's liability for any and all claims, losses, costs, damages of any nature whatsoever or claims expenses from any cause or causes, including attorneys' fees and costs and expert-witness fees and costs, so that the total aggregate liability of Operator to the City shall not exceed the equivalent to one (1) year Service Fee as calculated for the first twelve (12) months of the Agreement. It is intended that this limitation apply to any and all liability or cause of action however alleged or arising, unless otherwise prohibited by law.



6.10. Governing Law.

The formation, interpretation and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event of any Dispute that is not resolved pursuant to Section 6.5, the Parties hereto agree to submit to the jurisdiction of any court of competent jurisdiction within Stanislaus County, California and shall comply with all requirements necessary to give such court jurisdiction.

6.11. Tax Matters

Notwithstanding anything to the contrary set forth herein or in any other agreement to which the parties hereto are parties or by which they are bound, the obligations of confidentiality contained herein and therein, as they relate to the transactions described in and contemplated by such agreements, shall not apply to the U.S. Federal tax structure or U.S. Federal tax treatment of the System, and each of the parties hereto (and any employee, representative or agent of any party hereto) may disclose to any and all persons without limitation of any kind, the U.S. Federal tax structure and U.S. Federal tax treatment of such transactions. The preceding sentence is intended to cause the System or the interests in them pursuant to the agreements between the Parties not to be treated as having been offered under conditions of confidentiality for purposes of section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations promulgated under Section 6011 of the Internal Revenue Code of 1986, as amended, and shall be construed in a manner consistent with such purpose. In addition, each of the Parties acknowledges that it has no proprietary or exclusive rights to the tax structure of the transactions described in and contemplated by the agreements between the Parties or any tax matter or tax idea related to such transactions.

6.12. Successors and Assigns

- (a) Except as set forth in this Agreement, no Party shall be entitled to assign this Agreement or any of its rights or obligations under this Agreement, nor shall it enter into any transaction as a result of which it may transfer, assign, charge or dispose by any title of any of those rights and obligations, without the prior written consent of the other Party, which may be withheld in its sole and absolute discretion; provided that nothing herein shall prohibit City's Membership Interests from being sold to an Affiliate of City, or an entity which has, in whole or in part, common Ownership, directly or indirectly, with the Ownership of City.
- (b) Notwithstanding the foregoing, (i) City shall be entitled to assign its right, title and interest in and to this Agreement (and, in particular, any rights arising in relation to any insurance policy and any other right to collect any amount from Operator) to any lenders by way of security for the performance of obligations to such lenders without the consent of Operator; and (ii) Operator shall be entitled to assign its right, obligation, title and interest in and to this Agreement to any of its Affiliates or in connection with a merger or acquisition of Operator. Parties shall provide a written notice at least 30 days prior to assigning the rights, title, and interest in and to this Agreement.

6.13. Announcements and Publications.

Operator shall coordinate with City with respect to, and provide advance copies to City for review of, the text of any proposed announcements or publications that include any non-public information concerning the Work prior to the dissemination thereof to the public or to any Person other than Subcontractors or advisors of Operator, in each case, who agree to keep such information confidential. If City delivers written notice to Operator rejecting any such proposed announcement or publication within two (2) Business Days after receiving such advance copies, the Operator shall not make such public announcement or publication; provided, however, that Operator may disseminate or release such information in response to requirements of Governmental Authority.

6.14. No Waiver

No provision of this Agreement shall be considered waived by either Party except when such waiver is made in writing. The failure of either Party to insist, on one or more occasions, upon strict performance of any of the provisions of this Agreement or to take advantage of its rights hereunder or the delay or failure in exercising totally or partially any right or remedy under this Agreement, shall not be construed as a waiver of any such provisions or the relinquishment of any such rights or any other rights for the future, but the same shall continue and remain in full force and effect.

6.15. Validity.

The provisions contained in each section, subsection and clause of this Agreement shall be enforceable independently of each of the others and their validity shall not be affected if any of the others are invalid. If any of those provisions is void but would be valid if some part of the provision were deleted, the provision in question shall apply with such modification as may be necessary to make it valid. The Parties shall, if necessary, negotiate in good faith and make any necessary amendments to ensure the enforceable terms of this Agreement reflect the true intent of the Parties as of the date of execution of this Agreement.

6.16. Priority of Documents.

In the event of conflicting provisions in the Agreement, the provisions shall govern in the following priority: first, duly executed amendments to this Agreement (to the extent not superseded by a subsequent amendment), second, this Agreement, and third, Exhibits.

6.17. Time of Essence.

Time is expressly agreed to be of the essence of this Agreement and each, every and all of the terms, conditions and provisions herein.

6.18. Headings.

The headings in this Agreement are for convenience of reference only and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

6.19. Binding Effect.

This Agreement shall be binding on the Parties hereto and on their respective permitted successors, heirs and assigns.

6.20. Counterparts; Signature Pages.

This Agreement may be executed in counterparts which, taken together, shall constitute a single instrument. Facsimile and other electronically transmitted signature pages shall be effective to bind a Party to this Agreement.

6.21. Complete Agreement.

- (a) This Agreement together with the Exhibits hereto completely and exclusively states the agreement of the Parties regarding its subject matter and its terms govern, all prior proposals, agreements, or other communications between the Parties, oral or written, regarding such subject matter. No verbal, or written agreement nor conversation with any officer or employee of either Party nor any or all prior proposals shall affect or modify any of the terms and conditions of this Agreement. This Agreement shall not be modified except by written amendment signed on behalf of the City and Operator by their duly authorized representatives. Any purported oral amendment to the Agreement shall have no effect.
- (b) Each Party acknowledges that it has not relied on any representation, warranty, collateral contract or other assurance made by or on behalf of any other party at any time before the signature of this Agreement. Each Party waives all rights and remedies which, but for this clause (ii), might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Operation and Maintenance Agreement as of the date first above written.

City:

Operator:

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City of Orange Cove  
Name: Rudy Hernandez  
Title: Interim City Manager

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SitelogIQ, Inc  
Name: John Gajan  
Title: Senior VP of Operations

**EXHIBIT A  
TO  
OPERATION AND MAINTENANCE AGREEMENT**

**DEFINED TERMS**

As used in the attached Agreement, the following terms shall have the meanings set forth below:

**Additional Services** means any other services not defined in this Agreement which shall be billed at the rates specified in Exhibit F on a time and materials basis.

**Affiliate** of a specified Person means any Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such specified Person. As used in this definition of Affiliate, the term "**control**" of a specified Person including, with correlative meanings, the terms, "**controlled by**" and "**under common control with**," means (a) the Ownership, directly or indirectly, of 50% or more of the equity interest in a Person or (b) the power to direct or cause the direction of the management and policies of a Person, whether through Ownership of voting securities, by contract or otherwise.

**Agreement** means this Operation and Maintenance Agreement as it may be amended and/or restated from time to time.

**Annual Energy Production Evaluation** is an analysis which measures and compares the Cumulative Annual Energy Production with the Energy Production Guarantee based on Exhibit E.

**Annual Production Period** is the period between January 1 and December 31.

**Annual Reports** has the meaning given in Section 2.2.

**Applicable Law** shall mean, with respect to any Governmental Authority, any constitutional provision, law, statute, rule, regulation, ordinance, treaty, order, decree, judgment, decision, certificate, injunction, registration, license, permit, authorization, guideline, governmental approval, consent or requirement of such Governmental Authority, as construed from time to time by any Governmental Authority.

**Applicable Permits** shall mean, collectively, Operator Acquired Permits and the City Acquired Permits.

**Business Day** means a day (other than a Saturday or Sunday) on which banks are generally open in California for normal business.

**Cumulative Annual Energy Production** means the actual AC electrical output in kilowatt-hours (kWh) for the Annual Production Period as measured and recorded by all the Systems revenue meters and adjusted for meter calibration error, if required.

**Energy Production Guarantee** is the guaranteed energy production output as defined in Section 5(d).

**Expected Annual Energy Production** means the expected AC electrical output in kilowatt-hours (kWh) for the Annual Production Period as calculated by the System Model that represents the final design of the Systems and adjusted for Annual weather data and degradation.

**Force Majeure Event** shall mean, when used in connection with the performance of a Party's obligations under this Agreement, any act or event (to the extent not caused by such Party or its agents or employees) which is unforeseeable, or being foreseeable, unavoidable and outside the control of the Party which invokes it, and which renders said Party unable to comply totally or partially with its obligations under this Agreement. In particular, any of the following shall be considered a Force Majeure Event:

(a) war (whether or not war is declared), hostilities, revolution, rebellion, insurrection against any Governmental Authority, riot, terrorism, acts of a public enemy or other civil disturbance;

(b) acts of God, including but not limited to, storms, floods, lightning, earthquakes, hailstorms, ice storms, tornados, typhoons, hurricanes, landslides, volcanic eruptions, fires, winds in excess of ninety (90) miles per hour, and objects striking the earth from space (such as meteorites);

(c) acts of sabotage or destruction by a third party (other than any Operator retained by or on behalf of the Party) of facilities and equipment relating to the performance by the affected Party of its obligations under this Agreement;

(d) regional or national strikes, walkouts, lockouts or similar industrial or labor actions or disputes; and

(e) acts of any Governmental Authority that materially restrict or limit a Party's performance under this Agreement, including Operator's access to the Site or its activities at the Site.

**Governmental Authority** shall mean any national, autonomic, state, regional, province, town, city, or municipal government, whether domestic or foreign, or other administrative, regulatory or judicial body of any of the foregoing.

**Industry Standards** shall mean those standards of care and diligence normally practiced by small-scale solar engineering, construction and installation firms in performing services of a similar nature in jurisdictions in which System Services will be performed and in accordance with good engineering design practices, Applicable Laws, Applicable Permits, and other standards established for such Work. Industry Standards are not intended to be limited to optimum practice or methods to the exclusion of all others, but rather to be a spectrum of reasonable and prudent practices and methods that must take the conditions specific to any given facility into consideration.

**Insolvent** means (a) a Party shall file a voluntary petition in bankruptcy or shall be adjudicated as bankrupt or insolvent, or shall file any petition or answer or consent seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under the present or future applicable federal, state or other statute or law relative to bankruptcy, insolvency or other relief for debtors, or shall seek or consent to or acquiesce in the appointment

of any trustee, receiver, conservator or liquidator of such party or of all or any Final part of its properties (the term "acquiesce", as used in this definition, includes the failure to file a petition or motion to vacate or discharge any order, judgment or decree within fifteen (15) days after entry of such order, judgment or decree); (b) a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against a Party seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future Federal bankruptcy act, or any other present or future applicable Federal, state or other statute or law relating to bankruptcy, insolvency or other relief for debtors, and such party shall acquiesce and such decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the date of entry thereof, or a trustee, receiver, conservator or liquidator of such party shall be appointed with the consent or acquiescence of such party and such appointment shall remain unvacated and unstayed for an aggregate of sixty (60) days, whether or not consecutive; (c) a Party shall admit in writing its inability to pay its debts as they mature; (d) a Party shall give notice to any Governmental Authority of insolvency or pending insolvency, or suspension or pending suspension of operations; or (e) a Party shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors.

**Installer** shall mean the contractor responsible for the procurement, installation, startup, and testing of the System under separate contract with the City.

**Manufacturer Warranty** shall mean all warranties provided by the equipment manufacturers and assigned to City under the FSA..

**O&M Manual** shall mean the set of System operational and maintenance documents provided by the Installer to the City and by the City to the Operator for the purpose of instruction in the operation and maintenance needs of the System and its components.

**Operator** has the meaning given in the preamble to this Agreement.

**Operator Acquired Permits** shall mean those permits set forth in Exhibit D hereto.

**Operator Representative** shall mean the representative of Operator appointed pursuant to Section 6.2(b).

**City** has the meaning given in the preamble of this Agreement.

**City Acquired Permits** shall mean those permits set forth in Exhibit D hereto.

**City Representative** shall mean the representative of Operator appointed pursuant to Section 6.2(a).

**Parties** means each of Operator and City.

**Party** means either Operator or City.

**Permits** shall mean, collectively, Operator Acquired Permits and the City Acquired Permits.

**Person** means any natural person, corporation, general partnership, limited partnership, limited liability company, proprietorship, other business organization, trust, union, association, or Governmental Authority.

**Power Payment** shall have the meaning set forth in Section 5.

**Site** has the meaning given in the Recitals of this Agreement.

**Subcontractor** means any person to whom Operator subcontracts any of its obligations under this Agreement pursuant to a Subcontract, including the Suppliers and any person to whom such obligations are further subcontracted of any tier.

**Final Completion** shall have the meaning defined in the Facility Solutions Agreement between Operator and City.

**System** has the meaning set forth in the Recitals.

**System Services** means, collectively, the services set forth in Exhibit B.

**Technical Dispute** has the meaning given in Section 6.6(b).

**Term** has the meaning given in Section 3.1(a).

**Termination Notice** has the meaning given in Section 3.2(c).

**True-Up Refund** has the meaning given in Section 5(f).

**True-Up Fee** has the meaning given in Section 5(g).

**Warranty** means the Warranty Requirements set forth in the California Public Utilities Commission California Solar Initiative Program Handbook dated December 2011 (Section 2.4 – Warranty Requirements).



**EXHIBIT B  
TO  
OPERATION AND MAINTENANCE AGREEMENT  
SYSTEM SERVICES**

**Annual Inspection Services**

Complete inspection, system maintenance, and recommissioning services in each year of this agreement term as detailed below. Report inspection finding, required repairs, and repair recommendations, including estimated costs for each maintenance visit. As part of our system maintenance, the following services will be completed and reported to the City during the Annual report period.

**a) Visual Inspection**

- a. Visually inspect structures, arrays, and enclosures for excessive wear, damage, defects, rust/corrosion, etc.
- b. Verify new and/or existing shade concerns for the photovoltaic array.
- c. Verify module cleanliness and/or soiling issues; perform washing if requested by the City
- d. Verify that all signage and placards are firmly attached and legible.
- e. Verify condition of all wall & pad mounted switchgear, meters and inverters for corrosion and security of attachment to wall/structure/pad, etc. Note any new access issues.
- f. Verify condition of ac and dc disconnect(s).
- g. Confirm that the System is online and that the output is at the expected level.
- h. Confirm that the monitoring system is in service and functioning properly.

**b) Photo Documentation**

- a. Take digital photos of all major system components
- b. Submit digital images along with checklist and other documentation following visit.

**c) Array – Structure & Modules**

- a. Complete inspection of array.
- b. Inspect and tighten structure ground bonding straps/fasteners.
- c. Verify secure module attachment by random torque testing or visual test.
- d. Verify condition of racking hardware connections, splices, etc.
- e. Verify condition of inter-module array wiring for aging and corrosion.
- f. Inspect visible random sampling of wiring connections.
- g. Inspect visible conduit system.

**d) Electrical Connection – Inverters & Combiner Box**

- a. Verify condition of inverters.
- b. Note condition of all circuit boards and electrical components.
- c. Check Voc & Isc of all strings (if required).
- d. Verify that all manufacturer updates and service bulletins have been performed.
- e. Coordinate inverter manufacturer service, if necessary.

- f. Perform all electrical connection torque tests.
- g. Inspect and clean heatsink, if applicable.
- h. Inspect and clean inverter exhaust fan and vents.
- i. Inspect and tighten connectors and lugs (inverter, transformer, disconnects).
- j. Oil and lubricate disconnects.
- k. Check all fuses for cleared fuse and replace any cleared fuses.
- l. Verify condition of wire transition junction boxes for weatherproofing, corrosion, and security of internal wiring connections.
- m. Verify condition of all DC and AC conduits and connections.
- n. Verify interior and exterior condition of DC combiner box(es).

**e) Data Acquisition System (DAS)**

- a. Clean all instrumentation and sensors and lubricate moving parts.
- b. Inspect and tighten connections.
- c. Check input signals.
- d. Confirm that pyranometer/sensor is aligned with the plane of the PV array.
- e. Log kWh readings from Inverters to meters, and compare data in a 24-hour increment to monitoring system to verify proper calibration of meters and monitoring system.
- f. Check calibration of the weather station instruments, as necessary.

**System Services Not Included**

- a. Weed abatement around array and immediate vicinity.
- b. Repair of fencing.
- c. Repair, replacement, or cleaning due to vandalism, theft, or accidental damage.
- d. Repair or replacement of light bulbs or lighting fixtures.
- e. Repairs not explicitly defined in this Exhibit B.
- f. Any services not included in this Agreement.
- g. Repairs not stated in the Agreement or in the FSA (Contractor Warranty) are considered Additional Services and shall be billed on a time and materials basis per the rates in Exhibit F.
- h. Panel washing (Operator will advise City on panel washing frequency as needed maintain performance – Panel washing costs provided in Exhibit F)

**EXHIBIT C  
TO  
OPERATION AND MAINTENANCE AGREEMENT  
INSURANCE**

**Operator Insurance Requirements**

1. Required Coverages. Operator shall carry and maintain with carriers or self-insurance, as a minimum, the following insurance coverages:
  - i. Workers Compensation Insurance and Employers Liability. In accordance with the laws of the state of where work may be done with limits for employers liability in the minimum amount of one million dollars (\$1,000,000) for each occurrence and one million dollars (\$1,000,000) for each occurrence of disease on a per employee basis;
  - ii. Commercial General Liability. One million dollars (\$1,000,000) per occurrence/two million dollars (\$2,000,000) in the aggregate for bodily injury, personal injury and property damage, products and completed operations;
  - iii. Commercial Automobile Liability, Any Auto. One million dollars (\$1,000,000) per accident including owned, non-owned, and hired automobiles.
  - iv. Excess coverage of four million dollars (\$4,000,000) per occurrence and aggregate, or any other equivalent, available insurance coverage of the Operator.
2. Policy Endorsements. Insurance coverages required to be maintained by Operator under this Agreement shall:
  - i. provide a severability of interests or cross liability clause for Commercial General Liability Insurance;
  - ii. except in the case of worker's compensation insurance and other statutory insurances where it would be inappropriate, name City and others as may be reasonably required by City, as additional insured's; and to the extent permissible in accordance with the policy, include a waiver of subrogation by the insurers in favor of City and each of its respective assignees, Affiliates, agents, officers, directors, employees, insurers or policy issuers and a waiver of any right of the insurers to any set-off or counterclaim, whether by endorsement or otherwise, in respect of any type of liability of any of the Persons insured under any such policies.
3. Certificates. Operator shall throughout the Agreement Term provide certificate(s) and/or memoranda of insurance evidencing the coverage's specified in this Attachment C to City upon City's reasonable request.

### **City Insurance Requirements**

1. Required Coverages. City shall carry and maintain with carriers or self insurance, as a minimum, the following insurance coverages:
  - i. Workers Compensation Insurance and Employers Liability. In accordance with the laws of the state of where work may be done with limits for employers liability in the minimum amount of one million dollars (\$1,000,000) for each occurrence and one million dollars (\$1,000,000) for each occurrence of disease on a per employee basis;
  - ii. Commercial General Liability. One million dollars (\$1,000,000) per occurrence/two million dollars (\$2,000,000) in the aggregate for bodily injury, personal injury and property damage, products and completed operations;
  - iii. Commercial Automobile Liability, Any Auto. One million dollars (\$1,000,000) per accident including owned, non-owned, and hired automobiles.
  - iv. Property Risk Insurance. Amount equal to the replacement value of the Systems for loss or damage to the System by fire and lightning, vandalism, theft, malicious mischief, and extended coverage endorsement for all risks of physical loss.
  - v. Excess coverage of four million (\$4,000,000) per occurrence and aggregate, or any other equivalent, available insurance coverage of the Operator.
2. Policy Endorsements. Insurance coverages required to be maintained by City under this Agreement shall provide a severability of interests or cross liability clause for Commercial General Liability Insurance;
3. Certificates. City shall throughout the Agreement Term provide certificate(s) and/or memoranda of insurance evidencing the coverage's specified in this Attachment C to Operator upon Operator's reasonable request.

**EXHIBIT D  
TO  
OPERATION AND MAINTENANCE AGREEMENT  
  
PERMITS**

**Operator Required Permits**

No Operating Permits Required

**City Required Permits**

No Operating Permits Required

**EXHIBIT E  
TO  
OPERATION AND MAINTENANCE AGREEMENT**

**Annual Energy Production Evaluation**

**Cumulative Annual Energy Production Measurement**

The Cumulative Annual Energy Production is the actual AC electrical output in kilowatt-hours (kWh) for the Annual Production Period as measured and recorded by all of the Systems revenue meter(s) and adjusted for meter calibration error, if required.

**Expected Annual Energy Production Calculation**

At the completion of each Annual Production Period, the Operator shall update the software model of the Systems to calculate the Expected Annual Energy Production of the Systems for that period for comparison with the Cumulative Annual Energy Production of the same period. Operator shall use the final software model developed by the Installer as part of the FSA ("System Model").

The model shall use the actual meteorological data from the System weather station at the Site. The calibration of the weather station instruments shall be checked as recommended by the manufacturer by a qualified testing agency using test instruments traceable to recognized national calibration standards. A report of the instrument calibration status shall be prepared by the testing agency detailing any deviation in meter values from the standard outside of the meter manufacturer's acceptable range. Data affected by instruments found out of calibration may be reviewed and adjusted by mutual agreement between the City and Operator.

The input values used in the System Model shall include the following parameters based on the final installed System:

- Albedo
- Module orientation
- Shading
- Equipment models and configuration
- Module thermal parameters
- Ohmic losses
- Module quality and mismatch losses
- Soiling losses, adjusted for calendar month and washing frequency
- IAM losses

Hidden parameters and preferences within the model shall remain at default values unless noted and justified. All input parameter values and assumptions shall be provided with the model for review, and shall remain consistent from year to year.

The following factors shall be adjusted in the System Model each year of operation:

- Actual weather data for the Annual Production Period

- Manufacturer Module degradation factors (Manufacturer Module Power Output Warranty)
- Adjustments per Section 5(g), 5(h), 5(i), and 5(j)

The final model calculation shall detail the Expected Annual Energy Production on an hourly basis (8760 hours per year) in addition to a total output value in kilowatt-hours (kWh).

### **Annual Energy Production Evaluation**

The measured Cumulative Annual Energy Production value for the System shall be compared with the calculated Expected Annual Energy Production value and evaluated as described in Section 5, Operator's Guarantee, of this Agreement.

#### **A. Modeled Annual Energy Production Calculation**

The temperature-derate model used by Operator to determine the modeled level of production a system. The system losses, DC system size, CEC inverter efficiency, and the panel temperature coefficient is the accumulation of losses, degradation rates, and efficiencies which are evaluated on an annual basis. These losses are initially calculated upon project commissioning and will only be re-calculated if components fail, degrade, or are changed. Cell temperature and POA irradiance are real-time calculations based on measurements from a reference cell.

Our system model is a combination of system specifications, estimated soiling, shade expectations, degradation expectations. This model is calculated by using the single line as-built plans and a production summary report from HelioScope and are re-evaluated for accuracy on an Annual basis. The Modeled Energy equation is:

$$\text{Modeled Energy}(kW AC) = \sigma \times (1 - S) \times \frac{I}{1000} \times P \times (1 + \gamma \times (T - 25))$$

*Where:*

*T = Cell Temperature*

*S = System Model Loss*

*I = POA Irradiance*

*P = DC System Size*

*σ = CEC Inverter Efficiency*

*γ = Temperature Coefficient of the Panel*

This modeled production will be compared to actual measured production to calculate operational performance of the system. Unplanned system outages and soiling above expectations will be evaluated and included in system losses.

**EXHIBIT F  
TO  
OPERATION AND MAINTENANCE AGREEMENT  
RATES FOR ADDITIONAL SERVICES  
2022 RATE SCHEDULE**

<u><b>Maintenance Services</b></u>	
<i>Lead Technician</i>	<i>\$150</i>
<i>Electrician</i>	<i>\$150</i>
<i>Laborer</i>	<i>\$85</i>
<u><b>Professional and Technical Services</b></u>	
<i>Project Manager/Engineer</i>	<i>\$180</i>
<i>Project Assistant</i>	<i>\$85</i>
<u><b>Supplemental Services</b></u>	
<i>Module Cleaning</i>	<i>\$5/kW-dc</i>

**Other Costs**

1. Cost per truck roll for services above and beyond this agreement to be invoiced at time and materials (T&M) rate listed above and dispatched per City's request.
2. Daily/Saturday Overtime will be billed at 1.5 times the hourly rates. Sunday/Holiday Overtime will be billed at 2 times the rates.
3. Direct Expenses (non-equipment) will be billed at cost plus 10%.
4. Mileage will be billed at the published IRS mileage rates in effect.
5. Travel time to and from City sites will be billed at hourly rates shown above.
6. Federal published per diem rates (GSA) will apply if applicable.
7. Subcontractors will be billed at invoice price plus 15%.
8. Rates will escalate at 3% per calendar year.



**EXHIBIT G  
TO  
OPERATION AND MAINTENANCE AGREEMENT**

**ENERGY REPORTING AND MANAGEMENT SERVICES**

An energy specialist will provide the following services:

**ENERGY MANAGEMENT**

Responsibility is to improve energy efficiency by evaluating our client's energy use and help craft energy policies, strategies, programs, and support energy measures.

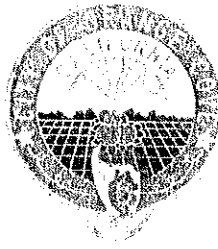
- Evaluate the Client's energy use and offer assistance for energy saving policies, strategies, and programs.
- Quarterly utility bill analysis and energy monitoring report.
- Annual utility rate analysis for all electric service accounts to ensure and optimize utility cost.

**QUARTERLY REPORT CREATION AND UPDATE**

- Develop quarterly utility summary report in coordination with client's needs
- Update and deliver quarterly report to client with Energy Engineer review of trends, interval data usage, and anomalies.
- Develop and create an external accessible dashboard for communication with key stakeholders, staff, or customers about projects and performance.

**ECAA ENERGY REPORTING SERVICES**

- Complete documentation and reporting to the California Energy Commission (CEC) to meet California Energy Conservation Assistance Act (ECAA) project annual progress and final reporting requirements.
- SiteLogIQ will use available methods developed by the CEC including program calculators and reporting forms for project energy savings to meet program requirements.



**Date:** January 26, 2022  
**To:** Mayor and City Council  
**From:** Rudy Hernandez, Interim City Manager  
**Subject:** Presentation of FY 2019-20 Financial Audit Report Prepared by Price, Page and Company.  
**Attachments:** 1. Audited Financial Statements  
2. Corrective Action Plan For Fiscal Year Ended June 30, 2018.

**BACKGROUND:**

The goal of a financial statement audit is to provide users of a given set of financial statements with independent assurance that they can rely upon the information presented in those financial statements. Auditors use a variety of means to obtain the evidence they need to provide such assurance. Specifically, auditors.

- Inspect relevant documentation
- Observe employee performance
- Inquire concerning policies, procedures, transactions, and events
- Confirm balances and transactions with outside parties
- Perform analytical procedures to determine the reasonableness of transactions and balances

**Audit Opinions:**

At the conclusion of the audit, the auditor renders an opinion on the overall financial statements of the City. In other words, this is sometimes referred to as a report card. An unmodified opinion can be interpreted as an "A", whereas an adverse opinion can be interpreted as an "F". There are four types of audit opinions that auditors may render on the financial statements which are:

- **Unmodified Opinion (Letter Grade "A")** - When expressing an unmodified opinion on financial statements, the auditor's opinion should state that the financial statements present fairly, in all material respects, the financial position of the entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended, in accordance with the applicable financial reporting framework.
- **Qualified Opinion (Letter Grade "C")** – a. The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the financial statements or b. The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but

the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

- **Adverse Opinion (Letter Grade "F")** - The auditor should express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.
- **Disclaimer (No letter Grade)** – The auditor should disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements, if any, could be both material and pervasive.

**Highlights of FY 2019-20 Audit (See Attached Audit Report):**

1. **Audit Opinion** - The City's auditor has rendered an unmodified opinion on the overall financial statements of the City (**Letter Grade "A"**).
2. **General Fund** - The City's FY 2019-20 general fund audited fund balance is \$1,648,190. The FY 2019-20 general fund net change in fund balance was (\$57,855). This represents the amount by which general fund expenditures exceeded general fund revenues. By Comparison, the FY 2018-19 prior year general fund balance net change in fund balance was (\$204,049). I consider the FY 2019-20 audit a remarkable improvement in dealing with the general fund deficit spending. On the positive side of the coin, the City Council has taken steps to address revenue shortfalls which will result in future balance budgets. What this means is that revenues will equal or exceed expenditures.
3. **Enterprise Funds (Water/Sewer)** – During FY 2019-20, the water and sewer funds continued to operate with deficit balances. The water fund operating loss with depreciation was (\$402,896) and without depreciation was \$87,356. Water Non-Operating Revenues (Expenses) were \$1,258,660 for a Net Change in Fund Balance of \$855,764. The sewer fund operating loss with depreciation was (\$565,058) and without depreciation was (\$115,559). Sewer Non-Operating Revenues (Expenses) were \$249,867 for a Net Change in Fund Balance of (\$315,191). During the FY 2020-21 fiscal year, the City Council approved a plan that will erase future deficits and adopt future balance budgets. In addition, the City will work to insure that debt service reserves required by loan resolutions, various bond documents and debt instruments are in full compliance.
4. **Audit findings and recommendations** – As part of the FY 2019-20 audit, our auditor Price, Page and Company has Identified 4 areas of our internal control structure that they believe could be improved (See attached Corrective Action Plan). As of the date of this staff report (1/26/2022), City staff has addressed and implemented the audit findings.

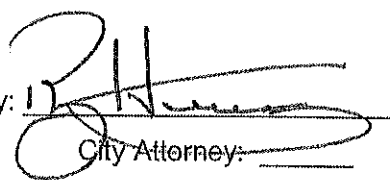
**RECOMMENDATION:**

Staff recommends the City Council receive and file report.

**FISCAL IMPACT:**

None.

Prepared by: Rudy Hernandez

Approved by: 

REVIEW: City Manager: ✓

Finance: \_\_\_\_\_

City Attorney: \_\_\_\_\_

---

**TYPE OF ITEM:**

**COUNCIL ACTION: APPROVED DENIED NO ACTION**

\_\_\_\_\_ Consent

\_\_\_\_\_ Public Hearing

\_\_\_\_\_ Info Item

\_\_\_\_\_ Matter Initiated by a Council Member

x Action Item

\_\_\_\_\_ Other

\_\_\_\_\_ Department Report

\_\_\_\_\_ Continued to: \_\_\_\_\_

\_\_\_\_\_ Redevelopment Agency

**CITY OF ORANGE COVE  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**CITY OF ORANGE COVE  
FINANCIAL STATEMENTS  
JUNE 30, 2020**

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**CITY OF ORANGE COVE  
FINANCIAL STATEMENTS  
JUNE 30, 2020**

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**PRICE PAIGE & COMPANY**  
*Accountancy Corporation*

The Place to Be

### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Orange Cove, 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 Orange Cove, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. 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 of Orange Cove, California, as of June 30, 2020, and the respective

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

#### **Other Matters**

##### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Proportionate Share of the Net Pension Liability and the Schedule of Contributions as listed on 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 other supplementary information as listed in the table of contents (the other supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Price Pange & Company*

Clovis, California  
January 11, 2022

## BASIC FINANCIAL STATEMENTS

**CITY OF ORANGE COVE  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 3,227,016	\$ 851,439	\$ 4,078,455
Cash and investments - restricted	210,708	-	210,708
Cash with fiscal agent - restricted	-	32,837	32,837
Accounts receivable	427,515	470,181	897,696
Interest receivable	288,882	1,903	290,785
Due from other governments	681,074	908,156	1,589,230
Internal balances	233,576	(233,576)	-
Notes receivable	2,958,274	-	2,958,274
Land held for resale	874,841	-	874,841
Prepaid items	5,668	-	5,668
Net pension asset	358,030	-	358,030
Capital assets, net of depreciation	8,825,509	17,189,637	26,015,146
Total assets	18,091,093	19,220,577	37,311,670
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources from pensions	388,360	223,059	611,419
Total deferred outflows of resources	388,360	223,059	611,419
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	509,039	946,566	1,455,605
Accrued interest	16,083	11,465	27,548
Deposits	-	49,440	49,440
Compensated absences	172,493	48,691	221,084
Unearned revenues	215,925	-	215,925
Long-term liabilities:			
Due within one year	80,178	71,615	151,793
Due in more than one year	895,442	1,065,334	1,960,776
Net pension liability	-	753,675	753,675
Total liabilities	1,889,160	2,946,686	4,835,846
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources from pensions	138,452	117,209	255,661
Total deferred inflows of resources	138,452	117,209	255,661
<b>NET POSITION</b>			
Net investments in capital assets	7,849,889	16,052,688	23,902,577
Restricted for:			
Low-income housing activities	3,447,348	-	3,447,348
Circulation improvements	1,322,105	-	1,322,105
Community development	532,491	-	532,491
Capital improvement projects	733,208	-	733,208
Debt service	432,837	32,837	465,674
Unrestricted	2,133,963	294,216	2,428,179
Total net position	\$ 16,451,841	\$ 16,379,741	\$ 32,831,582

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues				Net Revenue (Expense) 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	\$ 412,824	\$ 23,845	\$ -	\$ -	\$ (388,979)	\$ -	\$ (388,979)
Public safety	2,280,046	165,828	111,104	-	(2,003,114)	-	(2,003,114)
Public works	184,416	77,430	-	-	(76,986)	-	(76,986)
Planning and development	323,868	174,169	-	-	(149,699)	-	(149,699)
Streets	873,248	81,824	1,195,114	489,638	893,428	-	893,428
Parks and recreation	518,415	245,483	8,000	-	(264,932)	-	(264,932)
Daycare	1,380,112	3,918	1,371,878	-	(4,320)	-	(4,320)
Interest and other fiscal charges	51,721	-	-	-	(51,721)	-	(51,721)
Total governmental activities	<u>5,994,660</u>	<u>772,595</u>	<u>2,686,094</u>	<u>489,638</u>	<u>(2,046,323)</u>	<u>-</u>	<u>(2,046,323)</u>
Business-type activities:							
Water	1,965,197	1,513,394	-	1,305,748	-	853,945	853,945
Sewer	1,645,792	980,734	-	244,882	-	(320,176)	(320,176)
Disposal	550,763	664,919	-	-	-	114,156	114,156
Total business-type activities	<u>4,061,752</u>	<u>3,159,047</u>	<u>-</u>	<u>1,550,630</u>	<u>-</u>	<u>647,925</u>	<u>647,925</u>
Total primary government	<u>\$ 10,056,402</u>	<u>\$ 3,931,642</u>	<u>\$ 2,686,094</u>	<u>\$ 2,040,268</u>	<u>(2,046,323)</u>	<u>647,925</u>	<u>(1,399,398)</u>
General revenues:							
Taxes:							
Property taxes and special assessments					346,721	-	346,721
Sales taxes					443,568	-	443,568
Franchise taxes					110,032	-	110,032
Utility users tax					472,649	-	472,649
Business licenses					21,419	-	21,419
Motor vehicle in-lieu					871,908	-	871,908
Unrestricted investment earnings					70,875	7,759	78,634
Gain on sale of assets					426,713	-	426,713
Other					137,357	-	137,357
Total general revenues					<u>2,901,242</u>	<u>7,759</u>	<u>2,909,001</u>
Change in net position					854,919	655,684	1,510,603
Net position - beginning, restated					<u>15,596,922</u>	<u>15,724,067</u>	<u>31,320,979</u>
Net position - ending					<u>\$ 16,451,841</u>	<u>\$ 16,379,741</u>	<u>\$ 32,831,582</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2020**

		Special Revenue Funds		
	General	Local Transportation	Low-Moderate Housing Asset	Housing Grant
<b>ASSETS</b>				
Cash and investments	\$ 425,182	\$ 602,990	\$ 71,555	\$ 131,933
Cash and investments - restricted	-	-	-	-
Accounts receivable	427,515	-	-	-
Interest receivable	922	939	177,826	105,135
Due from other governments	61,491	178,814	-	-
Due from other funds	594,223	-	-	-
Notes receivable	-	-	275,000	2,677,094
Land held for resale	376,000	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 1,885,333</u>	<u>\$ 782,743</u>	<u>\$ 524,381</u>	<u>\$ 2,914,162</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 193,893	\$ 645	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	<u>193,893</u>	<u>645</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	<u>43,250</u>	<u>178,814</u>	<u>452,737</u>	<u>2,785,075</u>
Total deferred inflows of resources	<u>43,250</u>	<u>178,814</u>	<u>452,737</u>	<u>2,785,075</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Land held for resale	376,000	-	-	-
Prepaid items	-	-	-	-
Restricted:				
Low-income housing activities	-	-	71,644	129,087
Circulation improvements	-	603,284	-	-
Community development	-	-	-	-
Capital improvement projects	-	-	-	-
Debt service	-	-	-	-
Unassigned	<u>1,272,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,648,190</u>	<u>603,284</u>	<u>71,644</u>	<u>129,087</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,885,333</u>	<u>\$ 782,743</u>	<u>\$ 524,381</u>	<u>\$ 2,914,162</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**  
(Continued)

	Special Revenue Fund		
	Daycare	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 100,901	\$ 1,894,455	\$ 3,227,016
Cash and investments - restricted	210,708	-	210,708
Accounts receivable	-	-	427,515
Interest receivable	473	3,587	288,882
Due from other governments	47,519	393,250	681,074
Due from other funds	-	-	594,223
Notes receivable	-	6,180	2,958,274
Land held for resale	-	498,841	874,841
Prepaid items	5,668	-	5,668
Total assets	<u>\$ 365,269</u>	<u>\$ 2,796,313</u>	<u>\$ 9,268,201</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 153,092	\$ 161,409	\$ 509,039
Due to other funds	-	360,647	360,647
Unearned revenues	215,925	-	215,925
Total liabilities	<u>369,017</u>	<u>522,056</u>	<u>1,085,611</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	-	-	3,459,876
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>3,459,876</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Land held for resale	-	-	376,000
Prepaid items	5,668	-	5,668
Restricted:			
Low-income housing activities	-	8,805	209,536
Circulation improvements	-	540,007	1,143,291
Community development	-	532,491	532,491
Capital improvement projects	-	733,208	733,208
Debt service	-	432,837	432,837
Unassigned	(9,416)	26,909	1,289,683
Total fund balances	<u>(3,748)</u>	<u>2,274,257</u>	<u>4,722,714</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 365,269</u>	<u>\$ 2,796,313</u>	<u>\$ 9,268,201</u>

The notes to the basic financial statements are an integral part of this statement.

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**CITY OF ORANGE COVE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

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

Total fund balance - governmental funds	\$ 4,722,714
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	8,825,509
Net pension asset used in governmental activities is not classified as current financial resources and, therefore, is not reported in the funds.	358,030
Interest payable on long-term debt does not require the use of current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(16,083)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(172,493)
Pension related deferrals are reported as deferred outflows and inflows of resources on the statement of net position:	
Deferred outflows of resources	388,360
Deferred inflows of resources	(138,452)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and loans payable	(975,620)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	<u>3,459,876</u>
Net position of governmental activities	<u>\$ 16,451,841</u>

The notes to the basic financial statements are an integral part of this statement.



**CITY OF ORANGE COVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General	Special Revenue Funds		
		Local Transportation	Low-Moderate Housing Asset	Housing Grant
<b>REVENUES</b>				
Taxes	\$ 1,801,080	\$ -	\$ -	\$ -
Intergovernmental	268,485	312,977	-	-
Charges for services	123,821	-	-	-
Licenses, permits and impact fees	253,103	-	-	-
Interest and rent	28,426	3,737	355	3,227
Other	134,687	-	-	-
Total revenues	<u>2,609,602</u>	<u>316,714</u>	<u>355</u>	<u>3,227</u>
<b>EXPENDITURES</b>				
Current:				
General government	410,051	-	-	-
Public safety	1,882,278	-	-	-
Public works	205,253	-	-	-
Streets	-	237,315	-	-
Planning and development	247,796	-	-	-
Parks and recreation	348,541	-	-	-
Daycare	-	-	-	-
Capital outlay	41,773	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>3,135,692</u>	<u>237,315</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(526,090)</u>	<u>79,399</u>	<u>355</u>	<u>3,227</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	426,713	-	-	-
Transfers in	14,173	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>440,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(85,204)</u>	<u>79,399</u>	<u>355</u>	<u>3,227</u>
Fund balances (deficit) - beginning, restated	<u>1,733,394</u>	<u>523,885</u>	<u>71,289</u>	<u>125,860</u>
Fund balances (deficit) - ending	<u>\$ 1,648,190</u>	<u>\$ 603,284</u>	<u>\$ 71,644</u>	<u>\$ 129,087</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**  
(Continued)

	Special Revenue Fund		
	Daycare	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ -	\$ 400,548	\$ 2,201,628
Intergovernmental	1,371,876	1,192,961	3,146,299
Charges for services	3,916	-	127,737
Licenses, permits and impact fees	-	417,890	670,993
Interest and rent	-	14,280	50,025
Other	-	-	134,687
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,375,792</u>	<u>2,025,679</u>	<u>6,331,369</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	410,051
Public safety	-	271,781	2,154,059
Public works	-	-	205,253
Streets	-	417,012	654,327
Planning and development	-	98,223	346,019
Parks and recreation	-	-	348,541
Daycare	1,380,112	-	1,380,112
Capital outlay	-	589,487	631,260
Debt service:			
Principal	-	74,000	74,000
Interest and other fiscal charges	-	56,954	56,954
	<u>-</u>	<u>56,954</u>	<u>56,954</u>
Total expenditures	<u>1,380,112</u>	<u>1,507,457</u>	<u>6,260,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,320)</u>	<u>518,222</u>	<u>70,793</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	-	-	426,713
Transfers in	-	69,051	83,224
Transfers out	(14,173)	(69,051)	(83,224)
	<u>(14,173)</u>	<u>(69,051)</u>	<u>(83,224)</u>
Total other financing sources (uses)	<u>(14,173)</u>	<u>-</u>	<u>426,713</u>
Net change in fund balances	(18,493)	518,222	497,506
Fund balances (deficit) - beginning, restated	<u>14,745</u>	<u>1,756,035</u>	<u>4,225,208</u>
Fund balances (deficit) - ending	<u>\$ (3,748)</u>	<u>\$ 2,274,257</u>	<u>\$ 4,722,714</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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

Net change in fund balance - governmental funds	\$ 497,506
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:	
Capital outlay	620,124
Depreciation expense	(388,798)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of the principal of long-term debt	80,542
Accrued interest payable on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources. This amount represents the change in accrued interest payable not reported in governmental funds.	1,233
Changes to net pension asset and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(24,844)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	70,637
The distribution of housing loans and corresponding payments that were recognized in the governmental funds are not recognized in the statement of activities.	20,850
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	(22,331)
Change in net position of governmental activities	<u>\$ 854,919</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 659,520	\$ 191,919	\$ 851,439
Cash with fiscal agent - restricted	32,837	-	-	32,837
Accounts receivable, net	230,812	148,892	90,477	470,181
Due from other governments	908,156	-	-	908,156
Interest receivable	411	1,252	240	1,903
Total current assets	1,172,216	809,664	282,636	2,264,516
Noncurrent assets:				
Property, plant and equipment (net of allowances for depreciation)	8,795,397	8,394,240	-	17,189,637
Total assets	9,967,613	9,203,904	282,636	19,454,153
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources from pensions	116,847	106,212	-	223,059
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	848,573	51,649	46,344	946,566
Accrued interest	11,465	-	-	11,465
Deposits	49,440	-	-	49,440
Compensated absences	32,058	16,533	-	48,591
Due to other funds	233,576	-	-	233,576
Long-term debt - current	71,615	-	-	71,615
Total current liabilities	1,246,727	68,182	46,344	1,361,253
Noncurrent liabilities:				
Long-term debt	1,065,334	-	-	1,065,334
Net pension liability	397,147	356,528	-	753,675
Total noncurrent liabilities	1,462,481	356,528	-	1,819,009
Total liabilities	2,709,208	424,710	46,344	3,180,262
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources for pensions	60,911	56,298	-	117,209
<b>NET POSITION</b>				
Net investment in capital assets	7,658,448	8,394,240	-	16,052,688
Restricted for debt service	32,837	-	-	32,837
Unrestricted	(376,944)	434,868	236,292	294,216
Total net position	\$ 7,314,341	\$ 8,829,108	\$ 236,292	\$ 16,379,741

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
Operating revenues:				
Charges for services	\$ 1,511,204	\$ 980,734	\$ 664,919	\$ 3,156,857
Connection fees	2,190	-	-	2,190
Total operating revenues	1,513,394	980,734	664,919	3,159,047
Operating expenses:				
Contractual services and utilities	542,121	461,484	544,688	1,548,293
Personnel	666,662	567,642	-	1,234,304
Supplies and materials	212,478	64,643	4,362	281,483
Depreciation	490,252	449,499	-	939,751
Bad debt	4,777	2,524	1,713	9,014
Total operating expenses	1,916,290	1,545,792	550,763	4,012,845
Operating income (loss)	(402,896)	(565,058)	114,156	(853,798)
Nonoperating revenues (expenses):				
Intergovernmental	1,108,891	-	-	1,108,891
Interest income	1,819	4,985	955	7,759
Interest expense	(48,907)	-	-	(48,907)
Development fees	196,857	244,882	-	441,739
Total nonoperating revenues (expenses)	1,258,660	249,867	955	1,509,482
Change in net position	855,764	(315,191)	115,111	655,684
Net position - beginning, restated	6,458,577	9,144,299	121,181	15,724,057
Net position - ending	\$ 7,314,341	\$ 8,829,108	\$ 236,292	\$ 16,379,741

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Disposal	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,534,567	\$ 940,536	\$ 625,615	\$ 3,100,718
Payments to suppliers	(748,925)	(546,704)	(555,194)	(1,850,823)
Payments for employees	(558,770)	(491,721)	-	(1,050,491)
Net cash provided by (used for) operating activities	226,872	(97,889)	70,421	199,404
<b>Cash flows from noncapital financing activities:</b>				
Payments received (paid to) other funds	(124,267)	-	-	(124,267)
Net cash provided by (used for) noncapital financing activities	(124,267)	-	-	(124,267)
<b>Capital and related financing activities:</b>				
Payments from developers	196,857	244,882	-	441,739
Purchase of property, plant and equipment	(366,379)	(35,404)	-	(401,783)
Capital grants and contributions received	200,735	-	-	200,735
Principal paid on long-term debt	(69,136)	-	-	(69,136)
Interest paid on long-term debt	(49,562)	-	-	(49,562)
Net cash provided by (used for) financing activities	(87,485)	209,478	-	121,993
<b>Cash flows from Investing activities:</b>				
Interest received	1,708	5,105	1,021	7,834
Net cash provided by investing activities	1,708	5,105	1,021	7,834
Net increase (decrease) in cash and cash equivalents	16,828	116,694	71,442	204,964
Cash and cash equivalents - beginning	16,009	542,826	120,477	679,312
Cash and cash equivalents - ending	\$ 32,837	\$ 659,520	\$ 191,919	\$ 884,276
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (402,896)	\$ (565,058)	\$ 114,156	\$ (853,798)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	490,252	449,499	-	939,751
(Increase) decrease in accounts receivable	25,950	(37,874)	(37,591)	(49,315)
(Increase) decrease in deferred outflows of resources	(23,222)	(13,848)	-	(37,070)
Increase (decrease) in accounts payable and accrued liabilities	(3,304)	(20,577)	(6,144)	(30,025)
Increase (decrease) in customer deposits	455	-	-	455
Increase (decrease) in compensated absences	2,026	(6,028)	-	(4,002)
Increase (decrease) in net pension liability	121,364	83,124	-	204,488
Increase (decrease) in deferred inflows of resources	16,247	12,673	-	28,920
Net cash provided by (used for) operating activities	\$ 226,872	\$ (97,889)	\$ 70,421	\$ 199,404

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE  
STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND – SUCCESSOR AGENCY  
JUNE 30, 2020**

**ASSETS**

Cash and investments	\$ 164,461
Cash and investments with fiscal agents	403,038
Interest receivable	115,284
Note receivable	<u>200,000</u>

Total assets	<u>882,783</u>
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**LIABILITIES**

Accounts payable	25,169
Interest payable	58,355
Bond payable:	
Due within one year	254,009
Due in more than one year	<u>3,531,188</u>

Total liabilities	<u>3,868,721</u>
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**NET POSITION**

Held in trust for other governments	<u>\$ (2,985,938)</u>
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The notes to the basic financial statements are an integral part of this statement.

**CITY OF ORANGE COVE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND – SUCCESSOR AGENCY  
FOR THE YEAR ENDED JUNE 30, 2020**

**Additions**

Property taxes	\$ 498,261
Investment earning and other	6,328
Other revenue	<u>114,398</u>
Total additions	<u>618,987</u>

**Deductions**

Administrative costs	237,765
Interest and fiscal agency expenses of former redevelopment agency	<u>257,774</u>
Total deductions	<u>495,539</u>

Change in net position	123,448
Net position (deficit) held in trust - beginning	<u>(3,109,386)</u>
Net position (deficit) held in trust - ending	<u>\$ (2,985,938)</u>

The notes to the basic financial statements are an integral part of this statement.



**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Orange Cove, California (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Each blended component unit has a June 30 year-end. The City has no component units to report. The following sections further describe the significant policies of the City.

**A. Reporting Entity**

The City was incorporated as a general law city in 1948. The City operates under a Council-Manager form of government. The City's major operations include public safety, public works, water, sewer, disposal, parks and recreation, streets, planning, daycare and community development, and general administrative services.

**B. Basis of Presentation – Fund Accounting**

*Government-Wide Financial Statements* – The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual functions. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions or activities. Program revenues include: 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities. All internal balances in the statement of net position have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: due from/due to other funds, advances from/advances to other funds, and interfund transfers in/transfers out.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation – Fund Accounting (Continued)**

***Governmental Fund Financial Statements*** – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements of net position and changes in net position presented in the government-wide financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidiaries and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major governmental funds:

***General Fund*** – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for traditional governmental services of the City, such as police protection and general administrative services.

***Local Transportation Special Revenue Fund*** – This fund is used to account for transportation funds received from the State of California for related transportation projects and maintenance costs.

***Low-Moderate Housing Asset Special Revenue Fund*** – This fund accounts for the former Orange Cove Redevelopment Agency's affordable housing assets following its dissolution on January 31, 2012.

***Housing Grant Special Revenue Fund*** – This fund is used to account for grant revenues and expenditures related to housing assistance loans for low income individuals.

***Daycare Special Revenue Fund*** – This fund is used to account for grant revenues and expenditures related to the operation of the Julia A. Lopez Child Development Center.

Enterprise fund financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows for each major enterprise fund and nonmajor fund.

The City has three major enterprise funds, the Water, Sewer and Disposal Fund, which are used to account for operations that are financed and operated in a manner similar to private business enterprises. In an enterprise fund, the intent of the City Council is that costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation – Fund Accounting (Continued)**

The City reports the following three major enterprise funds:

- The **Water Fund** is used to account for financial activity of the water utility system.
- The **Sewer Fund** is used to account for the financial activity of the sewer utility system.
- The **Disposal Fund** is used to account for the financial activity of the disposal utility system.

The City's fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The City uses a private purpose trust fund to account for activities and changes in fiduciary net position of the Successor Agency. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position.

Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The City reports the following fiduciary fund:

- **Private-Purpose Trust Fund** – The Private Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

**C. Measurement Focus, Basis of Accounting**

**Government-Wide, Proprietary and Fiduciary Fund Financial Statements** – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transaction takes place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements** – Governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. *Operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of each fund. *Nonoperating revenues*, such as interest income, state and federal grants, and subsidies, usually result from nonexchange transactions or ancillary activities. *Operating expenses* include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as *nonoperating expenses*.

**D. Assets, Liabilities and Equity**

*Cash and Cash Equivalents* – Cash and cash equivalents represent the City's cash bank accounts, including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the statement of cash flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the statement of cash flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month-end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are recorded at fair market value. Fair value is based upon quoted market prices.

*Accounts Receivable* – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The proprietary funds include a year-end accrual for services through the end of the fiscal year which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectible.

*Property Tax Calendar* – Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after the year-end. Property taxes on the unsecured roll are due on July 1 and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

*Due From/To Other Funds* – Items classified as due from/to other funds represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

**Advances From/To Other Funds** – This classification represents noncurrent portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and, therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

**Capital Assets** – Capital outlays are recorded as expenditures of the general, special revenue, and capital projects funds, and capitalized assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Plant system	20-40 years
Machinery and equipment	5-10 years
Infrastructure	40 years

**Compensated Absences** – Accumulated unpaid vacation benefits, sick pay, and compensatory time benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements as long-term debt. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which employees who have accumulated leave are paid. Vested leave is included in proprietary funds and is recorded as an expense and liability as the benefits accrue.

Sick leave is accumulated at 12 days per year for full-time regular employees. Vacation is accumulated at 12 days per year for full-time regular employees. Vacation is accumulated at 12 days per year for full-time regular employees with less than five years of service to a maximum of 25 days per year for full-time employees with over 20 years of service with no limit on accrual of unused hours. Upon employment termination, unused sick leave is paid out at 5% to 25% depending on years of service, with a maximum payout of \$2,500. These amounts are included as liabilities in the government-wide and enterprise fund financial statements.

CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

***Interest Payable*** – In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund-types and proprietary fund-types. In the fund financial statements, proprietary fund-types recognize the interest payable when the liability is incurred.

***Unearned Revenue*** – Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records unearned revenue related to intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

***Unavailable Revenue*** – In the governmental fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations.

***Long-term Obligations*** – In the government-wide financial statements and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the statement of net position. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year the bond was issued.

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

***Pension Plan*** – All full-time City employees are members of the State of California Public Employees' Retirement System. The City's policy is to fund all pension costs accrued; such as costs to be funded are determined annually as of July 1 by the System's actuary. See Note 11 for further discussion.

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

***Encumbrances*** – The City does not use encumbrance accounting.

***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Equity (Continued)**

**Net Position** – In the government-wide financial statements, net position is classified in the following categories:

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

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

*Unrestricted net position* – This category presents the net position of assets that do not meet the definition of "net investment in capital assets" or "restricted net position".

When both restricted and unrestricted net position are available, restricted resources are depleted before the unrestricted resources are used.

**Fund Balances**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

*Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Finance Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

*Unassigned* – This classification is the residual classification for the general fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. In other governmental funds it includes any negative residual amounts that may exist as a result of expenditures incurred for specific purposes in excess of amounts restricted, committed or assigned to those purposes.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Investments and Deposits**

California law authorizes the City to invest in obligations of the United States Treasury, agencies, instrumentalities, certificate of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation,

**B. Budget and Budgetary Accounting**

In accordance with applicable sections of the California Government Code and the Orange Cove Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during May of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimate as available. Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers between accounts within any fund. All revisions must be reported to the City Council. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year-end to the extent they have not been expended or encumbered.

**NOTE 3 – CASH AND INVESTMENTS**

The City pools all of its cash and investments except those funds required to be held by bond trustee or outside fiscal agents under the provisions of bond indentures. Interest earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held by bond trustee is credited directly to the related funds.

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 4,078,455
Cash and investments - restricted	210,708
Cash and investments with fiscal agent	32,837
Fiduciary Funds:	
Cash and investments	164,461
Cash and investments with fiscal agent	<u>403,038</u>
Total cash and investments	<u>\$ 4,889,499</u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand and in bank	\$ 1,770,554
Investments	<u>3,118,945</u>
Total cash and investments	<u>\$ 4,889,499</u>



**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**A. Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

<u>Investments by fair value level</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Debt securities:			
U.S. Treasury Obligations	\$ 32,837	\$ 32,837	\$ -
U.S. Government Obligations	403,038	-	403,038
Total debt securities	435,875	\$ 32,837	\$ 403,038
<u>Unclassified Investments</u>			
LAIF	2,683,070		
Total investments	\$ 3,118,945		

The fair values of U.S. treasury bonds are based on quoted market prices in active markets and are included in the Level 1 fair value hierarchy. The market for U.S. Treasury Obligations is an actively traded market given the high level of daily trading volume. The fair values of U.S. Government Obligations are determined using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices and are in the Level 2 fair value hierarchy.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

**C. Investments Authorized by Debt Agreements**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Bank Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**D. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages its exposure to interest rate risk by investing funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements. As of June 30, 2020, the City had the following investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>
Local Agency Investment Fund	\$ 2,683,070	N/A
Held by Bond Trustee:		
U.S. Treasury Obligations	32,837	N/A
U.S. Government Obligations	<u>403,038</u>	N/A
Total	<u>\$ 3,118,945</u>	

**E. Disclosures Relating to Credit Risk**

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

<u>Investment Type</u>	<u>Amount</u>	<u>Maximum Legal Rating</u>	<u>Rating as of Year-End AAAm</u>
Held by Bond Trustee:			
U.S. Treasury Obligations	\$ 32,837	N/A	\$ 32,837
U.S. Government Obligations	<u>403,038</u>	N/A	<u>403,038</u>
Total	435,875		<u>\$ 435,875</u>
Not rated:			
Local Agency Investment Fund	<u>2,683,070</u>	N/A	
Total	<u>\$ 3,118,945</u>		

**F. Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**G. Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2020, the City's balance of \$1,926,142 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the City.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a governmental will not be able to recover the value of its investments or collateral securities that are in possession of another party. The California Government Code and the City's investment policy do not contain legal 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 the Local Agency Investment Fund (LAIF).

**H. Investment in State Investment Pool**

The City is a voluntary participant in the 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 investments 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 for the LAIF, which are recorded on an amortized cost basis.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable balances of the City's enterprise funds, including the applicable allowance for uncollectible accounts as of June 30, 2020, are as follows:

	Water	Sewer	Disposal	Total
Accounts receivable	\$ 444,675	\$ 224,938	\$ 205,945	\$ 875,558
Allowance for uncollectible accounts	(213,863)	(76,046)	(115,468)	(405,377)
Accounts receivable, net	<u>\$ 230,812</u>	<u>\$ 148,892</u>	<u>\$ 90,477</u>	<u>\$ 470,181</u>

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 – INTERFUND ACTIVITIES**

**A. Due From/To Other Funds**

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash. Individual fund interfund payables balances as of June 30, 2020 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 594,223	\$ -
Soccer Grant Special Revenue Fund	-	9,989
Bureau of Reclamation Special Revenue Fund	-	1,280
Streets Capital Projects Fund	-	349,378
Water Enterprise Fund	-	233,576
	<hr/>	<hr/>
Total	<u>\$ 594,223</u>	<u>\$ 594,223</u>

**B. Operating Transfers**

With the City Council approval, resources may be transferred from one City fund to another. The purpose of most transfers is to reimburse a fund that has made expenditures on behalf of another fund. Transfers within fund types have been eliminated with the government-wide financial statements.

Transfers in and out for the year ended June 30, 2020 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 14,173 (1)	\$ -
Daycare Special Revenue Fund	-	14,173 (1)
Nonmajor Funds:		
Measure C Special Revenue Fund	-	69,051 (2)
Street Capital Projects Fund	69,051 (2)	-
	<hr/>	<hr/>
Total	<u>\$ 83,224</u>	<u>\$ 83,224</u>

- (1) Transfer out from the Daycare Special Revenue Fund to the General Fund of \$14,173 was to reimburse the General Fund for the funding of the prior year reserve cash balance.
- (2) Transfer out from the Measure C Special Revenue Fund to the Street Capital Projects Fund in the amount of \$69,051 to fund street projects.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 – NOTES RECEIVABLE**

Notes receivable at June 30, 2020 are as follows:

***Housing Grants Note*** – The City has loaned \$1,290,000 to forty-three families at 1.00% interest. The loan proceeds were used by these low- and moderate-income families to purchase homes. The loans are payable in thirty years or when property ownership is transferred. The proceeds for the loans are provided through a State HOME Investment Partnerships (HOME) Grant. As of June 30, 2020, the notes receivable balance was \$1,259,000. Deferred interest receivable on these notes was \$104,970 as of June 30, 2020.

The City loaned four loans totaling \$239,957 at 0% interest. The loan proceeds were used by low- and moderate-income families to purchase homes. The loans are payable in thirty to forty-five years or when property ownership is transferred. The proceeds for the loans are provided through a Federal HOME Grant.

As of June 30, 2020, the City loaned forty-nine loans totaling \$1,178,137 at 0% interest. The loan proceeds were used by these low- and moderate-income families to purchase homes. The loans are payable in thirty years or when property ownership is transferred. The proceeds for the loans are provided through a CalHOME Grant.

***Low and Moderate Housing Notes*** – A note receivable is due from Citrus Gardens '98 LP, to assist in the construction of a low-income apartment complex. The note incurs interest at three percent and requires annual payments of 50% of residual receipts (revenues less debt service, property tax and maintenance and operating expenses). To date, there have been no payments on the note. The note is due in full in November 2029 with interest. The balance due on the note at June 30, 2020 was \$275,000. Deferred interest receivable on the note at June 30, 2020 was \$177,737.

***Valley Small Business Development Note*** – A note receivable is due from Valley Small Business Development Corporation ("Valley") in which funds were used to assist Valley in retaining control of a community medical clinic (Orchard Medical Center) in the City of Orange Cove and enable the property to again be used as a financially viable medical clinic. The note is due if and when Valley sells the Property. The first \$200,000 of net appreciation would be due to the City in addition to 25% of any excess appreciation. The balance due on the note at June 30, 2020 was \$200,000.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 – CAPITAL ASSETS**

**A. Governmental Activities**

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

	Balance July 1, 2019, (Restated)	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 1,302,411	\$ -	\$ -	\$ 1,302,411
Construction in progress	394,511	523,412	(424,259)	493,664
Total capital assets, not being depreciated	1,696,922	523,412	(424,259)	1,796,075
Capital assets, being depreciated:				
Buildings and improvements	10,207,276	480,569	-	10,687,845
Machinery and equipment	1,676,923	40,402	-	1,717,325
Total capital assets, being depreciated	11,884,199	520,971	-	12,405,170
Less accumulated depreciation for:				
Buildings and improvements	(3,478,224)	(314,199)	-	(3,792,423)
Machinery and equipment	(1,508,714)	(74,599)	-	(1,583,313)
Total accumulated depreciation	(4,986,938)	(388,798)	-	(5,375,736)
Total capital assets being depreciated, net	6,897,261	132,173	-	7,029,434
Governmental activities capital assets, net	\$ 8,594,183	\$ 655,585	\$ (424,259)	\$ 8,825,509

Depreciation expense was charged to governmental functions as follows:

<i>Governmental Activities:</i>	
General government	\$ 88,925
Public safety	47,497
Public works	18,943
Parks and recreation	96,932
Streets	138,501
Total	\$ 388,798

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 – CAPITAL ASSETS (Continued)**

**B. Business-Type Activities**

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

	Balance July 1, 2019, (Restated)	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 769,772	\$ -	\$ -	\$ 769,772
Construction in progress	242,100	1,047,911	(104,512)	1,185,499
Total capital assets, not being depreciated	1,011,872	1,047,911	(104,512)	1,955,271
Capital assets, being depreciated:				
Buildings and improvements	24,897,389	104,512	-	25,001,901
Machinery and equipment	2,962,366	119,161	-	3,081,527
Total capital assets, being depreciated	27,859,755	223,673	-	28,083,428
Less accumulated depreciation for:				
Buildings and improvements	(10,989,365)	(657,586)	-	(11,646,951)
Machinery and equipment	(919,946)	(282,165)	-	(1,202,111)
Total accumulated depreciation	(11,909,311)	(939,751)	-	(12,849,062)
Total capital assets being depreciated	15,950,444	(716,078)	-	15,234,386
Business-type activities capital assets, net	\$ 16,962,316	\$ 331,833	\$ (104,512)	\$ 17,189,637

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

<i>Business-Type Activities:</i>	
Water	\$ 490,252
Sewer	449,499
Total	<u>\$ 939,751</u>



**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 – LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

In governmental fund-types, debt discounts and issuance costs are recognized in the current period. Debt discounts incurred in proprietary funds are deferred and amortized over the term of the debt using the "bonds outstanding" method, which approximates the effective interest method. The City's debt activities are summarized below and discussed in detail thereafter.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Current Portion
<b>Governmental Activities:</b>					
Special Assessment Bonds	\$ 1,044,000	\$ -	\$ (78,000)	\$ 966,000	\$ 78,000
PG&E Street Lights Loan	12,162	-	(2,542)	9,620	2,178
Total Governmental Activities Debt	<u>\$ 1,056,162</u>	<u>\$ -</u>	<u>\$ (80,542)</u>	<u>\$ 975,620</u>	<u>\$ 80,178</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
1995 Water System Improvement Project	\$ 531,864	\$ -	\$ (23,500)	\$ 508,364	\$ 24,600
2005 COP Water Loan	352,200	-	(7,300)	344,900	7,600
Notes Payable:					
California Department of Water Resources	322,021	-	(38,336)	283,685	39,515
Total Business-Type Activities Debt	<u>\$ 1,206,085</u>	<u>\$ -</u>	<u>\$ (69,136)</u>	<u>\$ 1,136,949</u>	<u>\$ 71,615</u>
<b>Compensated Absences:</b>					
Governmental Activities	\$ 150,162	\$ 22,331	\$ -	\$ 172,493	\$ 172,493
Business-Type Activities	\$ 52,593	\$ -	\$ (4,002)	\$ 48,591	\$ 48,591

Long-term debt at June 30, 2020 was comprised of the following individual issues:

**Governmental Activities**

*Special Assessment Bond Payable*

In March 1990, the City issued \$2,450,684 in special assessment bonds with interest rates at 5.00% payable semi-annually. The proceeds were used to finance a sewer plant expansion project. These bonds are payable from assessments on the property owners within the City. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable. The principal payments range from \$21,000 to \$120,000 and are due annually through fiscal year 2030. At June 30, 2020 bonds payable outstanding amounts to \$966,000.

Annual debt service requirements for Special Assessment Bonds Payable are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 78,000	\$ 46,360	\$ 124,360
2022	81,000	42,375	123,375
2023	85,000	38,225	123,225
2024	88,000	33,900	121,900
2025	93,000	29,375	122,375
2026-2030	541,000	70,375	611,375
Total	<u>\$ 966,000</u>	<u>\$ 260,600</u>	<u>\$ 1,226,600</u>

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 – LONG-TERM DEBT (Continued)**

**Governmental Activities (Continued)**

*PG&E Street Lights Loan*

In 2015, the City financed \$21,238 from Pacific Gas & Electric for the LED Street Lights project. The principal payments of \$182 are due monthly through fiscal year 2025. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable. At June 30, 2020 the note payable outstanding amounts to \$9,620.

Annual debt service requirements for the PG&E Street Lights Loan are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 2,178	\$ -	\$ 2,178
2022	2,178	-	2,178
2023	2,178	-	2,178
2024	2,178	-	2,178
2025	908	-	908
Total	<u>\$ 9,620</u>	<u>\$ -</u>	<u>\$ 9,620</u>

**Business-Type Activities**

*1995 Orange Cove Public Financing Authority Revenues Bond Payable*

In 1995, the City issued \$907,650 in revenue bonds with interest rates at 4.5% payable semi-annually through 2035. The proceeds were used to finance a Water System Improvement Project. The City signed a lease agreement with the Authority with loan payments plus interest due semiannually. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable. The principal payments range from \$8,650 to \$47,000 are due annually through fiscal year 2036. At June 30, 2020, the bonds payable outstanding amounts to \$508,364.

Annual debt service requirements for the 1995 Orange Cove Public Financing Authority Revenue Bonds Payable are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2021	\$ 24,500	\$ 24,356	\$ 48,856
2022	25,500	23,231	48,731
2023	26,500	22,061	48,561
2024	28,000	20,835	48,835
2025	29,000	19,553	48,553
2026-2030	166,000	76,433	242,433
2031-2035	207,000	34,650	241,650
2036	1,864	1,057	2,921
Total	<u>\$ 508,364</u>	<u>\$ 222,176</u>	<u>\$ 730,540</u>

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 – LONG-TERM DEBT (Continued)**

**Business-Type Activities (Continued)**

*2005 Certificate of Participation Water Loan Bond Payable*

In July 2005, the City borrowed \$425,000 from the U.S. Government to facilitate water plant improvements. The interest rate is at 4.125% payable semi-annually. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable. The principal payments in amounts from \$4,300 to \$21,000 are due annually through fiscal year 2046. At June 30, 2020, the bonds payable outstanding amount to \$344,900.

Annual debt service to requirements for the 2005 Certificate of Participation Water Loan are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2021	\$ 7,600	\$ 14,070	\$ 21,670
2022	8,000	13,749	21,749
2023	8,300	13,412	21,712
2024	8,600	13,064	21,664
2025	9,000	12,701	21,701
2026-2030	50,800	57,507	108,307
2031-2035	62,200	45,891	108,091
2036-2040	76,100	31,678	107,778
2041-2045	93,300	14,262	107,562
2046	21,000	433	21,433
Total	<u>\$ 344,900</u>	<u>\$ 216,767</u>	<u>\$ 561,667</u>

**California Department of Water Resources Note Payable**

In 1996 the City borrowed \$943,280 from the California Department of Water Resources to finance water system improvements. The interest rate is 2.955% payable semi-annually. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable. The principal payments in amounts ranging from \$9,900 to \$23,280 are due annually through fiscal year 2027. At June 30, 2020, the note payable outstanding amounts to \$283,685.

Annual debt service requirements for the Department of Water Resources note payable are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2021	\$ 39,515	\$ 9,799	\$ 49,314
2022	40,673	8,630	49,303
2023	41,884	7,472	49,356
2024	43,121	6,261	49,382
2025	44,422	5,224	49,646
2026-2027	74,070	6,131	80,201
Total	<u>\$ 283,685</u>	<u>\$ 43,517</u>	<u>\$ 327,202</u>

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has one type of item which arises only under a modified basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, that item, unavailable revenues, is reported only in the governmental funds balance sheet. At June 30, 2020, the City reports \$3,459,876 as unavailable revenue in the governmental funds:

	General Fund	Low- Moderate Housing Asset	Housing Grant	Local Transportation Fund	Total
Unavailable revenues:					
Grants	\$ -	\$ -	\$ -	\$ 178,814	\$ 178,814
Utility users tax	43,250				43,250
Interest income	-	177,737	105,135	-	282,872
Loan repayments	-	275,000	2,679,940	-	2,954,940
Total	<u>\$ 43,250</u>	<u>\$ 452,737</u>	<u>\$ 2,785,075</u>	<u>\$ 178,814</u>	<u>\$ 3,459,876</u>

**NOTE 10 – DEFICIT FUND BALANCES**

The following is a summary of deficit fund balances and net position as of June 30, 2020:

The deficit fund balance of \$3,748 in the Daycare Special Revenue Fund is due to operating expenditures exceeding operating revenues in the current fiscal year.

The deficit fund balance of \$420 in the Measure O Special Revenue Fund is due to operating expenditures exceeding operating revenues in the current year. The deficit will be eliminated by reducing expenditures in relation to revenues in subsequent fiscal years.

The deficit fund balance of \$9,989 in the Soccer Grant Special Revenue Fund is due grant expenditures exceeding grant revenues. The deficit will likely be eliminated through a transfer of cash from the General Fund.

The deficit fund balance of \$1,280 in the Bureau of Reclamation Special Revenue Fund is due to past program expenditures exceeding revenues. The deficit will likely be eliminated through a transfer of cash from the General Fund.

The deficit fund balance of \$74,351 in the Street Capital Capital Projects Fund is due to operating expenditures exceeding operating revenues in the current year. The deficit will either be eliminated by reducing expenditures in relation to revenues in subsequent fiscal years or through transfers from other funds.

The deficit net position of \$2,985,938 in the Successor Agency Fund is due to a bond payable, which will be paid down with future tax increments.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plan**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Orange Cove (City) sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS Issues publicly available reports that include a full description of the pension plan 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 the Plan are applied as specified by the Public Employees' Retirement Law.

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

	<u>Miscellaneous Classic</u>	<u>Safety Classic</u>
	<u>Prior to</u>	<u>Prior to</u>
Hire date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Benefit formula	2% at 60;	2% at 50;
Benefit vesting schedule	5 years	5 years
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	50-55
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.426% to 2.0%
Required employee contribution rates	7.000%	9.000%
Required employer contribution rates	8.081%	17.684%

	<u>Miscellaneous PEPPRA</u>	<u>Safety PEPPRA</u>
	<u>On or after</u>	<u>On or after</u>
Hire date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Benefit formula	2% at 62;	2% at 57
Benefit vesting schedule	5 years	5 years
Benefits payable	monthly for life	monthly for life
Retirement age	52 - 67	50-57
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	1.426% to 2.0%
Required employee contribution rates	6.750%	12.000%
Required employer contribution rates	6.985%	13.034%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$63,303 for the fiscal year ended June 30, 2020.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)**

**A. General Information about the Pension Plan (Continued)**

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The City's contributions to the plan recognized as a part of pension expense for the year ended June 30, 2020 were \$207,115.

**B. Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2020, the City reported net pension liability for its proportionate shares of the net pension liability of the Plan of \$395,645.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.0025%
Proportion - June 30, 2019	0.0039%
Change - Increase (Decrease)	0.0014%

For the year ended June 30, 2020, the City recognized pension expense of \$457,618. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 236,436	\$ -
Changes of assumptions	35,939	25,622
Difference between expected and actual experience	56,101	31,778
Net differences between projected and actual earnings on plan investments	3,119	-
	-	13,176
Change in employer's proportion	279,824	675
Differences between the employer's actual contributions and the employer's proportionate share of contributions	-	184,410
	<u>611,419</u>	<u>255,661</u>
<b>Total</b>	<b>\$ 611,419</b>	<b>\$ 255,661</b>

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)**

**B. Pension Liability, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

A total of \$236,436 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Years Ending June 30,</u>	
2021	\$ 87,106
2022	37,602
2023	(7,509)
2024	2,123
2025	-
Thereafter	-

**C. Actuarial Assumptions**

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds <sup>(3)</sup>

(1) Depending on age, service and type of employment

(2) Net pension plan investment expenses, including inflation

(3) The mortality table was developed based on CalPERS specific data.  
The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP2016.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experiences Study can be found on the CalPERS website.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)**

**D. Discount Rate**

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected Public Employees Retirement Fund (PERF) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 adjusted to account for assumed administrative expenses.

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

Asset Class <sup>(a)</sup>	New Strategic Allocation	Real Return Years 1-10 <sup>(b)</sup>	Real Return Years 11+ <sup>(c)</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

<sup>(a)</sup> In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>(b)</sup> An expected inflation of 2.00% used for this period

<sup>(c)</sup> An expected inflation of 2.92% used for this period



**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)**

**D. Discount Rate (Continued)**

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

Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
\$ 1,602,714	\$ 395,645	\$ (698,904)

**E. Pension Plan Fiduciary Net Position**

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

**F. Payable to the Pension Plan**

The City did not have an outstanding amount of contributions due to the pension plan required for the year ended June 30, 2020.

**NOTE 12 – POST-RETIREMENT HEALTHCARE BENEFITS**

The City provides no post-employment benefits to its employees. However, former employees may be maintained on the City's health insurance programs through the City's Consolidated Omnibus Budget Reconciliation Act (COBRA) insurance continuation plan.

**NOTE 13 – RISK MANAGEMENT**

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is a member of the Central San Joaquin Valley Risk Management Authority, which is a joint powers authority established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is comprised of 54 member cities and is governed by a Board of Directors which meet three times per year. The Board is comprised of one Board member and one alternate Board member appointed by each member city. The day-to-day business is handled at a management firm under contract with the CSJVRMA. The audited financial statements of the CSJVRMA are available at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 13 – RISK MANAGEMENT (Continued)**

The City purchases liability coverage through the CSJVRMA at a \$10,000 self-insured retention. This risk sharing pool covers the first \$1 million of losses (CSJVRMA's retained limit). The CSJVRMA is a member of the California Affiliated Risk Management Authorities (CARMA) for the purpose of obtaining excess coverage in a risk sharing pool. CARMA provides coverage in excess of CSJVRMA's retained limit up to \$29 million. As of June 30, 2020, 54 cities participated in the CSJVRMA's liability program. The City also purchases workers' compensation coverage through the CSJVRMA at a \$10,000 self-insured retention. The risk sharing pool covers the first \$500,000 of losses (CSJVRMA's retained limit). The CSJVRMA is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess workers' compensation coverage. LAWCX provides \$4.5 million of coverage in excess of CSJVRMA's retained limit and participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) for coverage in excess of \$5 million up to statutory.

For both liability and workers' compensation coverage, expected claims are actuarially determined and deposited with the CSJVRMA along with all estimated operating costs each program year. Each program year is retrospectively adjusted five years following its conclusion, and any funds remaining in excess of the minimum funding requirements established by the Board are returned to the member city.

The City also purchases various property coverage programs. Deductibles and limits per property type can be obtained from the City Manager.

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2020:

Total assets	\$ 140,373,479
Total liabilities	<u>120,609,137</u>
 Total net position	 <u>\$ 19,764,342</u>
 Total revenues	 \$ 58,244,856
Total expenses	<u>57,261,330</u>
 Excess of expenses (loss) over income	 <u>\$ 983,526</u>

**NOTE 14 – JULIA A. LOPEZ DAYCARE**

The City operates a full daycare program funded by the State of California Department of Education. The City was awarded the contract not to exceed \$1,440,648 for childcare reimbursements. The City subcontracts the daily operation to Target 8 Advisory Council, a nonprofit organization that operates another daycare program in the City. Amounts paid to Target 8 Advisory Council were \$1,375,341. The daycare incurred administrative costs of \$100,500, not to exceed 15% of the grant.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 ("the Bill") that dissolved all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Chowchilla that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution Number 5-12.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.)

In future years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to renew the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY**  
**(Continued)**

**Orange Cove RDA Tax Refunding Bonds**

The former Redevelopment Agency of the City of Orange Cove Issued a tax allocation bond payable in the annual installments ranging from \$55,340 to \$396,299 with interest payable semi-annually at a rate between 3.7% per annum. There is a provision in the loan whereby in the event of default, the unpaid aggregate principal components of the loan and the interest accrued thereon, will become immediately due and payable. At June 30, 2020 the bond outstanding amounts to \$3,785,197.

Annual debt service requirements to maturity for the Orange Cove RDA Tax Refunding Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2021	\$ 254,009	\$ 137,703	\$ 391,712
2022	263,596	128,216	391,812
2023	277,432	118,335	395,767
2024	286,027	107,990	394,017
2025	294,468	97,329	391,797
2026-2030	1,656,970	312,346	1,969,316
2031-2032	752,695	35,029	787,724
Total	<u>\$ 3,785,197</u>	<u>\$ 936,948</u>	<u>\$ 4,722,145</u>

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 16 – RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE**

**Government-Wide Financial Statements**

Beginning net position of the Governmental Activities and Business-type Activities in the Government-Wide Statement of Activities have been restated to record prior period adjustments as presented in the reconciliation below.

**Fund Financial Statements**

The City has determined that certain transactions were recorded incorrectly in the prior year in the General Fund and Water Fund. The beginning fund balance and net position of the funds has been restated on the fund financial statements as presented in the reconciliation below.

***Governmental Activities and General Fund***

	<u>Government-Wide</u>	<u>Governmental Funds</u>
	<u>Governmental Activities</u>	<u>General Fund</u>
Fund balance/net position, June 30, 2019, as previously reported	\$ 15,383,795	\$ 1,520,267
Prior period adjustment:		
Understatement of land held for resale	<u>213,127</u>	<u>213,127</u>
Fund balance/net position, July 1, 2019, as restated	<u>\$ 15,596,922</u>	<u>\$ 1,733,394</u>

***Business-type Activities and Water Fund***

	<u>Business-type Activities</u>	<u>Water Fund</u>
Net position, June 30, 2019, as previously reported	\$ 15,806,297	\$ 6,540,817
Prior period adjustment:		
Overstatement of capital assets	<u>(82,240)</u>	<u>(82,240)</u>
Net position, July 1, 2019, as restated	<u>\$ 15,724,057</u>	<u>\$ 6,458,577</u>

**CITY OF ORANGE COVE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

The City is subject to litigation arising in the normal course of business. In the opinion of the City attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. Accordingly, some functions of the City's operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

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## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF ORANGE COVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,772,994	\$ 1,772,994	\$ 1,801,080	\$ 28,086
Intergovernmental	162,400	162,400	268,485	106,085
Charges for services	131,118	131,118	123,821	(7,297)
Licenses, permits and impact fees	288,521	288,521	253,103	(35,418)
Interest and rent	56,608	56,608	28,426	(28,182)
Other	38,975	38,975	134,687	95,712
Total revenues	2,450,616	2,450,616	2,609,602	158,986
<b>EXPENDITURES</b>				
Current:				
General government	343,254	425,014	410,051	14,963
Public safety	1,815,077	1,815,077	1,882,278	(67,201)
Public works	214,572	214,572	205,253	9,319
Planning and development	113,003	113,003	247,796	(134,793)
Parks and recreation	260,162	260,162	348,541	(88,379)
Capital outlay	16,130	16,130	41,773	(25,643)
Total expenditures	2,762,198	2,843,958	3,135,692	(291,734)
Excess (deficiency) of revenues over (under) expenditures	(311,582)	(393,342)	(526,090)	(132,748)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	635,000	635,000	426,713	(208,287)
Transfers in	-	-	14,173	14,173
Total other financing sources (uses)	635,000	635,000	440,886	(194,114)
Net changes in fund balances	323,418	241,658	(85,204)	(326,862)
Fund balances - beginning, restated	1,520,267	1,520,267	1,733,394	213,127
Fund balances - ending	\$ 1,843,685	\$ 1,761,925	\$ 1,648,190	\$ (113,735)

**CITY OF ORANGE COVE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**LOCAL TRANSPORTATION SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 439,568	\$ 439,568	\$ 312,977	\$ (126,591)
Interest and rent	535	535	3,737	3,202
Total revenues	440,103	440,103	316,714	(123,389)
<b>EXPENDITURES</b>				
Streets	125,323	136,763	237,315	(100,552)
Total expenditures	125,323	136,763	237,315	(100,552)
Excess (deficiency) of revenues over (under) expenditures	314,780	303,340	79,399	(223,941)
Net changes in fund balances	314,780	303,340	79,399	(223,941)
Fund balances (deficits) - beginning	523,885	523,885	523,885	-
Fund balances (deficits) - ending	\$ 838,665	\$ 827,225	\$ 603,284	\$ (223,941)

**CITY OF ORANGE COVE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**LOW-MODERATE HOUSING ASSET SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest and rent	\$ 4,160	\$ 4,160	\$ 355	\$ (3,805)
Total revenues	<u>4,160</u>	<u>4,160</u>	<u>355</u>	<u>(3,805)</u>
<b>EXPENDITURES</b>				
Planning and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,160</u>	<u>4,160</u>	<u>355</u>	<u>(3,805)</u>
Net changes in fund balances	4,160	4,160	355	(3,805)
Fund balances - beginning	<u>71,289</u>	<u>71,289</u>	<u>71,289</u>	<u>-</u>
Fund balances, - ending	<u>\$ 75,449</u>	<u>\$ 75,449</u>	<u>\$ 71,644</u>	<u>\$ (3,805)</u>

**CITY OF ORANGE COVE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET TO ACTUAL**  
**DAYCARE SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,440,647	\$ 1,440,647	\$ 1,371,876	\$ (68,771)
Charges for services	10,200	10,200	3,916	(6,284)
Total revenues	<u>1,450,847</u>	<u>1,450,847</u>	<u>1,375,792</u>	<u>(75,055)</u>
<b>EXPENDITURES</b>				
Current:				
Daycare	<u>1,450,847</u>	<u>1,450,847</u>	<u>1,380,112</u>	<u>70,735</u>
Total expenditures	<u>1,450,847</u>	<u>1,450,847</u>	<u>1,380,112</u>	<u>70,735</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(4,320)	(4,320)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(14,173)	(14,173)
Total other financing sources (uses)	-	-	(14,173)	(14,173)
Net changes in fund balances	-	-	(18,493)	(18,493)
Fund balances (deficits) - beginning	<u>14,745</u>	<u>14,745</u>	<u>14,745</u>	-
Fund balances (deficits) - ending	<u>\$ 14,745</u>	<u>\$ 14,745</u>	<u>\$ (3,748)</u>	<u>\$ (18,493)</u>

**CITY OF ORANGE COVE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**NOTE 1 – BUDGETARY INFORMATION**

The City follows the following procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance. This budget is reported as Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized as follows:
  - a. Items requiring City Council action – appropriation of fund balance revenues; transfers of appropriations between funds; appropriation of any non-departmental revenue; new interfund loans or advances; and creation of a new capital projects or increases to existing capital projects.
  - b. Items delegated to the City Manager – transfers between departments within funds; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.
  - c. Items delegated to the department head – allocation of departmental appropriations to line-item level.
5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue, and enterprise funds. Project-length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on that basis in the required supplementary information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called "department". A department for legal appropriation purposes may be a single organization or an entire department having multiple organizations within the same fund, or an entire fund.

The City did not budget for the Housing Grant Special Revenue Fund.

**CITY OF ORANGE COVE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2020:

General Fund		
Current:		
Public safety	\$	67,201
Planning and development		134,793
Parks and recreation		88,379
Capital outlay		25,643
Local Transportation Special Revenue Fund		
Current:		
Streets		100,552

CITY OF ORANGE COVE  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF THE CITY'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 YEARS\*  
AS OF JUNE 30, 2020

	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability	-0.0018%	-0.0039%	0.0019%	0.0034%	0.0025%	0.0039%
Proportionate share of the net pension liability	\$ (112,285)	\$ (270,847)	\$ 161,985	\$ 334,714	\$ 241,225	\$ 395,645
Covered payroll	\$ 1,787,519	\$ 1,782,750	\$ 1,781,031	\$ 1,693,061	\$ 1,640,504	\$ 1,519,198
Proportionate share of the net pension liability as percentage of covered payroll	-6.28%	-15.19%	9.10%	19.77%	14.70%	26.04%
Plan fiduciary net position as a percentage of the total pension liability	102.09%	104.40%	97.55%	95.54%	97.01%	95.57%

**NOTES TO THE SCHEDULE**

Changes in Benefit Terms - None

Changes of Assumptions - None

\*Schedule is intended to show information as of the plan measurement date for ten years. Additional years will be displayed as they become available.

CITY OF ORANGE COVE  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 YEARS\*  
AS OF JUNE 30, 2020

	2014	2015	2016	2017	2018	2019	2020
Actuarially required contribution (actuarially determined)	\$ 149,758	\$ 158,678	\$ 155,206	\$ 186,076	\$ 195,039	\$ 207,115	\$ 236,436
Contributions in relation to the actuarially determined contributions	149,758	158,678	155,206	186,076	195,039	207,115	236,436
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$1,787,519	\$1,782,750	\$1,781,031	\$1,693,061	\$1,640,504	\$1,519,198	\$1,531,526
Contributions as a percentage of covered payroll	8.38%	8.90%	8.71%	10.99%	11.89%	13.63%	15.44%

\*Schedule is intended to show information as of the plan report date for ten years. Additional years will be displayed as they become available.



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## OTHER SUPPLEMENTARY INFORMATION

CITY OF ORANGE COVE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020

Special Revenue Funds							
	Streets	Measure O	Gas Tax	Soccer Grant	Community Development	Development Impact Fees	Measure C
<b>ASSETS</b>							
Cash and investments	\$ 112,780	\$ 25,463	\$ 303,478	\$ -	\$ 26,946	\$ 732,294	\$ 241,677
Interest receivable	169	203	779	-	524	914	435
Due from other governments	-	-	31,661	-	-	-	17,486
Notes receivable	-	-	-	-	6,180	-	-
Land held for resale	-	-	-	-	498,841	-	-
Total assets	\$ 112,949	\$ 25,666	\$ 335,918	\$ -	\$ 532,491	\$ 733,208	\$ 259,598
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ -	\$ 26,086	\$ 60,187	\$ -	\$ -	\$ -	\$ 6,060
Due to other funds	-	-	-	9,989	-	-	-
Total liabilities	-	26,086	60,187	9,989	-	-	6,060
<b>FUND BALANCES (DEFICITS)</b>							
Restricted:							
Low-income housing activities	-	-	-	-	-	-	-
Circulation improvements	-	-	275,731	-	-	-	253,538
Community development	-	-	-	-	532,491	-	-
Capital improvement projects	-	-	-	-	-	733,208	-
Debt service	-	-	-	-	-	-	-
Unassigned	112,949	(420)	-	(9,989)	-	-	-
Total fund balances (deficits)	112,949	(420)	275,731	(9,989)	532,491	733,208	253,538
Total liabilities and fund balances (deficits)	\$ 112,949	\$ 25,666	\$ 335,918	\$ -	\$ 532,491	\$ 733,208	\$ 259,598

**CITY OF ORANGE COVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**  
(Continued)

	Special Revenue Funds			Debt Service Fund		Capital Projects Fund	Total Nonmajor Governmental Funds
	Traffic Congestion	Bureau of Reclamation	Sema Project	General Debt Service	Street Capital Projects		
<b>ASSETS</b>							
Cash and investments	\$ 10,725	\$ -	\$ 8,794	\$ 432,298	\$ -	\$ -	\$ 1,894,455
Interest receivable	13	-	11	539	-	-	3,587
Due from other governments	-	-	-	-	344,103	-	393,250
Notes receivable	-	-	-	-	-	-	6,180
Land held for resale	-	-	-	-	-	-	498,841
Total assets	\$ 10,738	\$ -	\$ 8,805	\$ 432,837	\$ 344,103	\$ -	\$ 2,796,313
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 69,076	\$ -	\$ 161,409
Due to other funds	-	1,280	-	-	349,378	-	360,647
Total liabilities	-	1,280	-	-	418,454	-	522,056
<b>FUND BALANCES (DEFICITS)</b>							
Restricted:							
Low-income housing activities	-	-	8,805	-	-	-	8,805
Circulation improvements	10,738	-	-	-	-	-	540,007
Community development	-	-	-	-	-	-	532,491
Capital improvement projects	-	-	-	-	-	-	733,208
Debt service	-	-	-	432,837	-	-	432,837
Unassigned	-	(1,280)	-	-	(74,351)	-	26,909
Total fund balances (deficits)	10,738	(1,280)	8,805	432,837	(74,351)	-	2,274,257
Total liabilities and fund balances (deficits)	\$ 10,738	\$ -	\$ 8,805	\$ 432,837	\$ 344,103	\$ -	\$ 2,796,313

**CITY OF ORANGE COVE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Special Revenue Funds						
	Streets	Measure O	Gas Tax	Soccer Grant	Community Development	Development Impact Fees Measure C
<b>REVENUES</b>						
Taxes	\$ -	\$ 250,251	\$ -	\$ -	\$ -	\$ -
Intergovernmental	117,988	-	390,755	-	-	301,354
Licenses, permits and impact fees	-	-	-	-	-	417,890
Interest and rent	673	809	3,101	-	2,084	3,640
						1,731
Total revenues	118,661	261,060	393,856	-	2,084	421,530
						303,085
<b>EXPENDITURES</b>						
Current:						
Public safety	-	271,781	-	-	-	-
Streets	123	-	144,366	-	-	272,523
Planning and development	-	-	-	-	79,418	18,805
Capital outlay	-	-	47,462	-	-	8,848
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total expenditures	123	271,781	191,828	-	79,418	27,653
						272,523
Excess (deficiency) of revenues over (under) expenditures	118,538	(10,721)	202,028	-	(77,334)	393,877
						30,562
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(69,051)
Total other financing sources (uses)	-	-	-	-	-	(69,051)
Net changes in fund balances	118,538	(10,721)	202,028	-	(77,334)	393,877
						(38,489)
Fund balances (deficits), beginning of year	(5,589)	10,301	73,703	(9,989)	609,825	339,331
						292,027
Fund balances (deficits), end of year	\$ 112,949	\$ (420)	\$ 275,731	\$ (9,989)	\$ 532,491	\$ 733,208
						253,538

**CITY OF ORANGE COVE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(Continued)

	Special Revenue Funds			Debt Service Fund		Capital Projects Fund	Total Nonmajor Governmental Funds
	Traffic Congestion	Bureau of Reclamation	Serna Project	General Debt Service	Street Capital Projects		
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ 140,297	\$ -	\$ -	\$ 400,548
Intergovernmental	-	-	-	-	382,864	-	1,192,961
Licenses, permits and impact fees	-	-	-	-	-	-	417,890
Interest and rent	52	-	43	2,147	-	-	14,280
Total revenues	52	-	43	142,444	382,864	-	2,025,679
<b>EXPENDITURES</b>							
Current:							
Public safety	-	-	-	-	-	-	271,781
Streets	-	-	-	-	-	-	417,012
Planning and development	-	-	-	-	-	-	98,223
Capital outlay	-	-	-	-	533,177	-	589,487
Debt service:							
Principal	-	-	-	74,000	-	-	74,000
Interest and other charges	-	-	-	56,954	-	-	56,954
Total expenditures	-	-	-	130,954	533,177	-	1,507,457
Excess (deficiency) of revenues over (under) expenditures	52	-	43	11,490	(150,313)	-	518,222
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	69,051	-	69,051
Transfers out	-	-	-	-	-	-	(69,051)
Total other financing sources (uses)	-	-	-	-	69,051	-	-
Net changes in fund balances	52	-	43	11,490	(81,262)	-	518,222
Fund balances (deficits), beginning of year	10,686	(1,280)	8,762	421,347	6,911	-	1,756,035
Fund balances (deficits), end of year	\$ 10,738	\$ (1,280)	\$ 8,805	\$ 432,837	\$ (74,351)	\$ -	\$ 2,274,257

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## COMPLIANCE SECTION



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

To the Honorable Mayor and City Council  
City of Orange Cove, 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 Orange Cove, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 11, 2022.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004 to be significant deficiencies.

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### **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Price Pugh & Company*

Clovis, California  
January 11, 2022

**CITY OF ORANGE COVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u>X</u>	Yes	<u>      </u>	No
Significant deficiencies identified - not considered to be material weaknesses?	<u>X</u>	Yes	<u>      </u>	No
Noncompliance material to financial statements noted?	<u>      </u>	Yes	<u>X</u>	No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2020-001 Year-End Closing Process (Material Weakness)**

**Condition:** As described in the California State Controllers "2015 Internal Control Guidelines" an effective internal control system and timely financial reporting of all financial activity provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

**Criteria:** The City's year-end financial closing process was not timely, complete or accurate. The lack of a complete and proper close resulted in numerous audit adjustments and significant delays in completing the annual audit.

**Cause:** The City's Finance Director, who also serves as the City Manager, oversees the closing of the City's general ledger while balancing the duties as City Manager. In addition to these responsibilities, there were numerous other financial statement, compliance, and control environment matters to resolve that were inherited from accounting errors and decisions made in previous fiscal years. Additionally, during the closing process, the City's accounting department lost experienced staff positions, which had to be replaced with new staff requiring significant training. Lastly, the City has had significant disruptions as a result of the COVID-19 pandemic.

**Effect:** Various areas of the financial statements, including fund balance/net position, governmental and enterprise accounts receivable, accounts payable, unavailable revenue, and revenue were materially misstated, which required journal entries to be posted subsequent to receiving the City's final trial balance.

**Recommendation:** We recommend that the City perform the following steps in order to address the matters described above:

- Create a closing checklist to assist with the preparation of audit schedules that are complete, accurate, and reconcile to the City's general ledger account balances. Additionally, ensure that a system is in place to allow the City to perform this in a timely matter.
- Provide additional assistance to the Finance Department through the hiring of additional competent personnel.
- Provide additional training in accounting specific to governmental entities to Finance Department staff in order to ensure that they are current with all financial accounting and reporting requirements as directed by the Governmental Accounting Standards Board.

**Management's Response:** See client's corrective action plan as listed in the table of contents.

**CITY OF ORANGE COVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2020-002 Bank Reconciliation (Material Weakness)**

**Condition:** Cash was not reconciled to the general ledger on a monthly basis. Bank statements accumulated for several months before they were reconciled to the appropriate general ledger accounts.

**Criteria:** A strong system of internal controls and management review requires that bank reconciliations be performed on a timely basis.

**Cause:** The City hired an outside consultant to perform the bank reconciliations, however, this resulted in delays in rectifying any unreconciled differences. In addition, the demands placed on the Finance Director (loss of experienced staff, audit preparation, and other matters) prevented the timely completion of the bank reconciliation process.

**Effect:** By not reconciling the bank accounts to the general ledger on a monthly basis, errors or other problems might not be recognized and resolved on a timely basis.

**Recommendation:** Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate internal control over cash. Bank reconciliations should be performed on all bank accounts in a timely manner after month-end. The bank reconciliations should be formally approved. Any discrepancies should be investigated, and all errors and omissions should be posted to the general ledger.

**Management's Response:** See client's corrective action plan as listed in the table of contents.

**CITY OF ORANGE COVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2020-003 Employee/Board Medical Reimbursements (Significant Deficiency)**

**Condition:** The City is not in line with its medical reimbursement policy.

**Criteria:** The City offers medical reimbursements for out-of-pocket costs to employees and officers who waive coverage through the City's health plan. These reimbursements must not exceed the cost of the medical health plan's annual premium per family member, per year. The City's medical reimbursement policy states, "the City should have a uniform Claim Form that is completed for each request and should not make payment based on receipts only" Additionally, the policy also states, "the City should maintain a running total for each person to ensure the annual amount is not exceeded".

**Cause:** The City's latest medical reimbursement policy was implemented in 2011. Over the years, the City has had significant turnover which created difficulties in overseeing eligibility and enforcing the policy.

**Effect:** Of 10 reimbursements selected for testing:

- 4 reimbursements did not provide a claim form
- 9 reimbursements did not provide a signature of claimant
- 7 reimbursements did not have an approval signature
- 4 reimbursements were approved using previously submitted documentation for the reimbursement of medical premiums
- 1 reimbursement did not have supporting documentation
- The City did not maintain a cumulative reimbursement log for any of the claimants tested.

**Recommendation:** We recommend the City follow its medical reimbursement plan.

- Ensure all claimants remain eligible for reimbursement under the policy
- Create a medical reimbursement claim form with appropriate approvals that lists all requirements for reimbursement. This allows the claimant and approver to ensure all requisites are met prior to reimbursement.
- Ensure supporting documentation received from claimant is up-to-date and not previously submitted and is eligible under the City's policy.
- Maintain a log of annual reimbursements per claimant to ensure the total does not exceed the threshold as stated in the policy.

**Management's Response:** See client's corrective action plan as listed in the table of contents.

**CITY OF ORANGE COVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2020-004 Credit Card Authorization and Documentation (Significant Deficiency)**

**Condition:** During our audit, we noted the City's process in ensuring credit card charges were approved and included supporting documentation was not effective. Our review of credit card charges found that charges made on the City's credit cards did not always have supporting documentation or documented approvals.

**Criteria:** Per the City's credit card policy, all credit card charges must include a receipt for all charges. Additionally, the City requires an expense and reimbursement report for all credit card charges.

**Cause:** The City had not enforced documentation or claim forms for the month tested as required by the City's credit card policy.

**Effect:** Of the 2 months that were selected for testing, the month of December 2019 did not have any supporting receipts or approval documentation. The total transactions in December 2019 without supporting receipts amounted to approximately \$18,514.

**Recommendation:** We recommend the City actively monitor the use of credit cards and require all cardholders to submit receipts of all charges and indicate the nature of charges. Cardholders should be given no more than 30 days after the charge to submit their receipts. Documentation and a brief description of all transactions help detect any questionable charges paid via credit card.

**Management's Response:** See client's corrective action plan as listed in the table of contents.

**CITY OF ORANGE COVE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2019-001 Year-End Closing Process (Material Weakness)**

**Condition:** During the audit of the City's financial statements, we identified material misstatements in the City's general ledger account balance which necessitated the proposal of audit adjustments. Additionally, the City identified numerous misstatements to the general ledger account balances subsequent to providing us with a final trial balance.

**Criteria:** A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process in order to accurately and completely close the current year general ledger in a timely manner. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Cause:** The City's Finance Director was relatively new to the City during the year under audit and in addition to the demands of closing a City's general ledger, there were numerous other financial statement, compliance, and control environment matters to resolve that were inherited from accounting errors and decisions made in previous fiscal years. Additionally, during the closing process, the City's accounting department lost experienced staff positions which had to be replaced with new staff calling for significant training. Finally, COVID-19 caused unforeseen delays as City staff had to work remotely and/or quarantine at various points over the last nine months which resulted in significant delays.

**Effect:** Various areas of the financial statements, including fund balance/net position, accounts receivable, accounts payable, unavailable revenue, and revenue were materially misstated, which required journal entries to be posted subsequent to receiving the City's final trial balance.

**Recommendation:** We recommend that the City perform the following steps in order to address the matters described above:

- Create a closing checklist to assist with the preparation of audit schedules that are complete, accurate, and reconcile to the City's general ledger account balances. Additionally, ensure that a system is in place to allow the City to perform this in a timely matter.
- Provide additional assistance to the Finance Department through the hiring of additional competent personnel.
- Provide additional training in accounting specific to governmental entities to Finance Department staff in order to ensure that they are current with all financial accounting and reporting requirements as directed by the Governmental Accounting Standards Board.

**Status:** Not Implemented



**CITY OF ORANGE COVE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2019-002 Bank Reconciliation (Material Weakness)**

**Condition:** Cash was not reconciled to the general ledger on a monthly basis. Bank statements accumulated for several months to a year before they were reconciled to the appropriate general ledger accounts.

**Criteria:** A strong system of internal controls and management review requires that bank reconciliations be performed on a timely basis.

**Cause:** The bank reconciliation process was disrupted in fiscal year 2019 as the City's finance director was relatively new to the City during the year under audit. Additionally, the City hired an outside consultant to perform the bank reconciliations, however, this resulted in delays in rectifying any unreconciled differences. In addition, the demands placed on the finance director (loss of experienced staff, audit preparation, and other matters) prevented the timely completion of the bank reconciliation process.

**Effect:** By not reconciling the bank accounts to the general ledger on a monthly basis, errors or other problems might not be recognized and resolved on a timely basis.

**Recommendation:** Timely preparation of complete and accurate bank reconciliations is key to maintaining adequate internal control over cash. Bank reconciliations should be performed on all bank accounts in a timely manner after month-end. The bank reconciliations should be formally approved. Any discrepancies should be investigated, and all errors and omissions should be posted to the general ledger.

**Status:** Not implemented

Mayor  
Victor P. Lopez

Mayor Pro Tem:  
Diana Guerra Silva

City Council Members:  
Roy Rodriguez  
Josie Cervantes  
Esperanza Rodriguez



Incorporated January 20, 1948

Rudy Hernandez  
Interim City Manager  
(559) 626-4488 ext. 216

Rudy Hernandez  
Financial Consultant  
(559) 626-4488 ext. 216


City Clerk:  
Jana V. Bracamontes  
(559) 626-4488 ext. 214

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**CITY OF ORANGE COVE  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2020**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	The City's year-end closing process was delayed by the loss of long-time accounting personnel in the finance department. In addition, the City had significant disruptions as a result of COVID-19 pandemic. To deal with the loss 2 long-time accounting staff members, the City hired new staff members who had no prior experience in working in a City finance department. As a result, the Finance Director spent an excessive amount of time training new staff in the areas of cash handling, accounts payable, payroll and other accounting operations. While this was a good thing, it also had an effect of delaying the year-end closing process. On February 27, 2019, the City Council approved a resolution adopting a new fiscal year end closing policy. That being said, the City does have a fiscal year-end policy that acts as a check list in getting the books ready for the forth coming audit. I agree with our auditors that having additional assistance in the Finance Department through the hiring of additional competent personnel would be immensely helpful especially during the fiscal year-end process.	6-30-2021	Rudy Hernandez City Manager/Finance Director
2020-002	The loss of 2 long-time accounting staff members and having to train 2 newly hired finance staff members with no accounting background played a major part in not being able to reconcile the bank statements on a timely basis. Another factor was COVID-19 which resulted in long time absences of	6-30-2021	Rudy Hernandez City Manager/Finance Director

	finance staff. The finance Director has periodic meetings with finance staff to insure that all finance members have an understanding of what's involved in the monthly bank reconciliations. With a better trained finance staff, bank statements are now once again being reconciled on a timely basis.		
2020-003	When the new finance director arrived in fiscal year 2018-19, the City's accounts payable files lacked supporting documentation, claimant signatures and management approvals. This poor accounting system carried over into FY 2019-20. In early FY 2020-21, the Finance Director implemented a new procurement system whereby all invoices are approved by management department heads and the City Manager. Today accounts payable files are well organized and supported by proper documentation. What staff has not implemented is a log of annual reimbursements per claimant. This will be implemented during the FY 2020-21.	6-30-2021	Rudy Hernandez City Manager/Finance Director
2020-004	Prior to FY 2018-19 and including FY 2019-20, the City's credit card statements were not reconciled by the City's finance staff. Credit card receipts were also not brought back by some card holders. During FY 2020-21, the City finance director developed a system whereby the City's finance administrative assistant reconciles all credit card statements on a monthly basis which is also reviewed and approved by the City Manager/Finance Director. Card holders must turn in credit card receipts within 5 days of purchase or 5 days from returning from an out-of-town conference.	6-30-2021	Rudy Hernandez City Manager/Finance Director

  
 Rudy Hernandez  
 City Manager/Finance Director