

TRACY CITY COUNCIL

REGULAR MEETING AGENDA

Tuesday, December 6, 2011, 7:00 p.m.

City Council Chambers, 333 Civic Center Plaza

Web Site: www.ci.tracy.ca.us

Americans With Disabilities Act - The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in Council meetings. Persons requiring assistance or auxiliary aids should call City Hall (209/831-6000) 24 hours prior to the meeting.

Addressing the Council on Items on the Agenda - The Brown act provides that every regular Council meeting shall provide an opportunity for the public to address the Council on any item within its jurisdiction before or during the Council's consideration of the item, provided no action shall be taken on any item not on the agenda. Each citizen will be allowed a maximum of five minutes for input or testimony. At the Mayor's discretion, additional time may be granted. The City Clerk shall be the timekeeper.

Consent Calendar - All items listed on the Consent Calendar are considered routine and/or consistent with previous Council direction. A motion and roll call vote may enact the entire Consent Calendar. No separate discussion of Consent Calendar items will occur unless members of the City Council, City staff or the public request discussion on a specific item at the beginning of the meeting.

Addressing the Council on Items not on the Agenda – The Brown Act prohibits discussion or action on items not on the posted agenda. Members of the public addressing the Council should state their names and addresses for the record, and for contact information. The City Council's Procedures for the Conduct of Public Meetings provide that "Items from the Audience" following the Consent Calendar will be limited to 15 minutes. "Items from the Audience" listed near the end of the agenda will not have a maximum time limit. Each member of the public will be allowed a maximum of five minutes for public input or testimony. However, a maximum time limit of less than five minutes for public input or testimony may be set for "Items from the Audience" depending upon the number of members of the public wishing to provide public input or testimony. The five minute maximum time limit for each member of the public applies to all "Items from the Audience." Any item not on the agenda, brought up by a member of the public shall automatically be referred to staff. In accordance with Council policy, if staff is not able to resolve the matter satisfactorily, the member of the public may request a Council Member to sponsor the item for discussion at a future meeting. When members of the public address the Council, they should be as specific as possible about their concerns. If several members of the public comment on the same issue an effort should be made to avoid repetition of views already expressed.

Presentations to Council - Persons who wish to make presentations which may exceed the time limits are encouraged to submit comments in writing at the earliest possible time to ensure distribution to Council and other interested parties. Requests for letters to be read into the record will be granted only upon approval of the majority of the Council. Power Point (or similar) presentations need to be provided to the City Clerk's office at least 24 hours prior to the meeting. All presentations must comply with the applicable time limits. Prior to the presentation, a hard copy of the Power Point (or similar) presentation will be provided to the City Clerk's office for inclusion in the record of the meeting and copies shall be provided to the Council. Failure to comply will result in the presentation being rejected. Any materials distributed to a majority of the Council regarding an item on the agenda shall be made available for public inspection at the City Clerk's office (address above) during regular business hours.

Notice - A 90 day limit is set by law for filing challenges in the Superior Court to certain City administrative decisions and orders when those decisions or orders require: (1) a hearing by law, (2) the receipt of evidence, and (3) the exercise of discretion. The 90 day limit begins on the date the decision is final (Code of Civil Procedure Section 1094.6). Further, if you challenge a City Council action in court, you may be limited, by California law, including but not limited to Government Code Section 65009, to raising only those issues you or someone else raised during the public hearing, or raised in written correspondence delivered to the City Council prior to or at the public hearing.

Full copies of the agenda are available at City Hall, 333 Civic Center Plaza, the Tracy Public Library, 20 East Eaton Avenue, and on the City's website www.ci.tracy.ca.us

CALL TO ORDER

PLEDGE OF ALLEGIANCE

INVOCATION

ROLL CALL

PRESENTATION – Employee of the Month

- Brighter Christmas
- Swear In Firefighters
- “Holiday Fire Safety”

1. CONSENT CALENDAR

- A. Minutes Approval
- B. Adopt Resolution Approving the Annual Report on Development Impact Fee Revenues and Expenditures, and Making Findings as to Unexpended Funds
- C. Acceptance of the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street - CIP 72077, Completed by Richard A. Heaps Electrical Contractor, Inc., of Sacramento, California, and Authorization for the City Clerk to File the Notice of Completion
- D. Approve a List of City of Tracy Projects for San Joaquin Council of Government's One Voice Trip to Washington D.C., for Congressional Funding Appropriation Requests
- E. Approval of a Resolution Authorizing Adoption of a Plan Restatement for the Variable Annuity Life Insurance Company (VALIC) 457 Deferred Compensation Program
- F. Authorize Amendment of the City's Classification Plan and Position Control Roster by Approving the Revision of the Records Supervisor Classification in the Police Department
- G. Approve Amendment 1 to the Professional Services Agreement With RBF Consulting for the Filios/Dobler Annexation and Development Project, Appropriate \$14,196 from the Reimbursement Agreement Funds and Authorize the Mayor to Execute the Amendment

2. ITEMS FROM THE AUDIENCE

- 3. ACCEPTANCE OF THE CITY OF TRACY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2011
- 4. PUBLIC HEARING TO CONSIDER A PROPOSED INCREASE TO SOLID WASTE RATES AND UPON COMPLETION OF THE PUBLIC HEARING ADOPT PROPOSED RATES
- 5. AUTHORIZE STAFF TO NEGOTIATE AN AGREEMENT WITH SAN JOAQUIN COUNTY AND, IF NECESSARY, WITH THE CITY OF STOCKTON, TO ASSUME RESPONSIBILITY FOR PROVISION OF LIBRARY SERVICES WITHIN THE CITY OF TRACY FOR TRACY AND COUNTY RESIDENTS

6. ACCEPT A REPORT REGARDING THE FY 11/12 GENERAL FUND CAPITAL IMPROVEMENT PROJECT (CIP) PRIORITIZATION PROCESS AND TIMELINE AND DISCUSS, REVIEW, AND APPROVE THE PROPOSED CRITERIA AND SCORING
7. PUBLIC HEARING TO CONSIDER AN AMENDMENT TO A PRELIMINARY AND FINAL DEVELOPMENT PLAN TO PERMIT THE DEVELOPMENT OF A SECOND PRELIMINARY AND FINAL DEVELOPMENT PLAN CONSISTING OF A 1,200,420 SQUARE FOOT INDUSTRIAL WAREHOUSE BUILDING ON A 160.34-ACRE SITE, LOCATED WEST OF AND ADJACENT TO 1605 AND 1705 NORTH CHRISMAN ROAD - APPLICANT IS KIER & WRIGHT; OWNER IS CATELLUS CORPORATE CENTER TRACY, LLC- APPLICATION D11-0009
8. PUBLIC HEARING TO AUTHORIZE, BY IMPLEMENTING RESOLUTION, THE ADOPTION OF THE UPDATED ROADWAY DEVELOPMENT IMPACT FEES FOR THE NORTH EAST INDUSTRIAL AREA PHASE 1, NORTH EAST INDUSTRIAL AREA PHASE 2, PLAN C DEVELOPMENT AREA AND SOUTH MACARTHUR PLANNING AREA DEVELOPMENTS RESULTING IN A NET DECREASE IN ROADWAY FEES
9. ESTABLISH A PROCESS TO RECOGNIZE THE CONTRIBUTIONS OF MEMBERS OF THE COMMUNITY FOR THEIR MILITARY SERVICE WITH A CERTIFICATE OF COMMENDATION UPON THEIR HONORABLE SEPARATION FROM THE ARMED FORCES
10. APPOINT TWO APPLICANTS TO THE PARKS AND COMMUNITY SERVICES COMMISSION
11. ITEMS FROM THE AUDIENCE
12. COUNCIL ITEMS
 - A. Consider an Item for Discussion on a Future City Council Agenda Regarding Endorsement of the California Cancer Research Act
 - B. Appointment of City Council Subcommittee to Interview Applicants for Three Vacancies on the Parks and Community Services Commission
 - C. Discuss Whether to Cancel the Regular City Council Meeting Scheduled for Tuesday, December 20, 2011, and Provide Direction to Staff
13. ADJOURNMENT

October 4, 2011, 7:00 p.m.

City Council Chambers, 333 Civic Center Plaza

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Mayor Ives called the meeting to order at 7:00 p.m. and led the Pledge of Allegiance.

The invocation was provided by Pastor Scott McFarland, Journey Christian Church.

Roll call found Council Members Abercrombie, Elliott, Rickman, Mayor Pro Tem Maciel and Mayor Ives present.

Leon Churchill, Jr., City Manager, presented the Employee of the Month award for October 2011, to Chris Foley, Senior Maintenance Worker, Public Works.

Mayor Ives presented a proclamation to Tracy Amador, Community Volunteer, declaring October 22, 2011, as "Make a Difference Day".

Mayor Ives presented a proclamation to Fire Chief Al Nero declaring October 9-15, 2011, "Fire Prevention Week".

Mayor Ives presented a proclamation to Victoria Flores, Tracy Satellite Office Coordinator, Women's Center of San Joaquin County, declaring October as "Domestic Violence Awareness Month".

1. CONSENT CALENDAR - It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adopt the Consent Calendar. Roll call vote found all in favor; passed and so ordered.
 - A. Minutes Approval – Regular minutes of September 6, 2011, and closed session minutes of September 20, 2011, were approved
 - B. Acceptance of the Court Drive, 22nd Street, 23rd Street, and Whittier Avenue Improvements – CIP's 73104, 73123, 73124, 75105, 75109, & 75110, Completed by Knife River Construction of Stockton, California, and Authorization for the City Clerk to File the Notice of Completion – Resolution 2011-180 accepted the improvements.
 - C. Approval of Permit for the Consumption of Alcoholic Beverages on City Streets for the City of Tracy's "Witches and Broom Sticks Girls Night Out" on October 28, 2011 – Resolution 2011-181 approved the permit.
 - D. Authorize the Appointment of Eleven Youth and Two Adult Commissioners to the Youth Advisory Commission – Resolution 2011-182 authorized the appointment of 11 Youth and two adult commissioners.
 - E. Authorize Task Order CH01-14 to Master Professional Services Agreement CH01 with CH2M Hill for Services Related to Wastewater Discharge Permit Studies for the Tracy Wastewater Treatment Plant and Authorize the Mayor to Execute the Task Order – Resolution 2011-183 authorized the Task Order.

Mayor Ives read a statement regarding Mr. Miles' complaints, retracting the comment that his complaints are unfounded.

2. ITEMS FROM THE AUDIENCE – None.
3. PUBLIC HEARING DECLARING THE EXISTENCE OF WEEDS, RUBBISH, REFUSE AND FLAMMABLE MATERIAL AT 2200 NORTH MARTIN ROAD A PUBLIC NUISANCE; CONSIDER OBJECTIONS TO ABATEMENT OF SAID NUISANCE, APPROVE A CONTRACTOR TO ABATE SAID NUISANCES, AND APPROVE A SUPPLEMENTAL APPROPRIATION FROM THE CITY'S GENERAL FUND - Ana Contreras, Community Preservation Manager, presented the staff report. On April 7, 2011, Code Enforcement staff received a complaint and followed up with inspecting the residence at 2200 North Martin Road, Tracy, (hereinafter referred to as the "referenced property") and determined the referenced property is a public nuisance per the 2010 California Fire Code (CFC) and the Tracy Municipal Code (TMC) Chapter 1.32. It was determined that if the tumbleweeds, weeds, rubbish, refuse, and flammable materials are not removed from the property, they have the potential to become a fire hazard and constitute a public nuisance under TMC section 4.08.260. Also found in and around the property was an excessive amount of garbage, debris and an overall accumulation of items both inside and outside the structure. Voluntary compliance is the ultimate goal in abatement of nuisances within the City. However, given the lack of response by the property owner and due to the severity of health and safety issues associated with this case, the City has no other alternative than to move forward with forced compliance remedies. To date, Code Enforcement staff has issued four violation notices, three criminal citations, and \$400 in administrative citations.

On September 8, 2011, pursuant to Tracy Municipal Code, Section 4.12.280, staff sent a notice to the property owner. The notice required the owner to abate weeds, rubbish, refuse and flammable material on the parcel within 20 days of receipt of the notice and further advise the owner of the City's intent to abate the nuisance following Council's consideration of the matter during a public hearing. The TMC provides that upon failure of the owner, or authorized agent, to abate the nuisance within 20 days from the date of notice, the City will perform the necessary work by private contractor and the cost of such work will be made a personal obligation of the owner, or become a tax lien against the property. All unpaid assessments will be filed with the San Joaquin County Auditor Controller's office to establish a lien on the property. As of the date of writing this report, the nuisances in the front yard have been partially abated; however, access to the back yard and the interior of the structure has been restricted and staff is unable to verify if any progress has been made in eliminating the nuisances. As a result, staff will proceed with preparing an inspection warrant for judicial approval to substantiate that violations continue to exist both inside the structure and in the back yard of the property.

Staff estimates the cost to abate this property will be approximately \$10,000 to \$11,000. The property owner will be billed for all costs associated with the abatement, including contractor's charges plus a 25% administrative fee. Staff requested a supplemental appropriation in the amount of \$11,000 from the General Fund. The City will be reimbursed the cost of the abatement once the property is sold, transfers ownership, or is refinanced.

Staff recommended that City Council conduct a Public Hearing to consider any and all objections to the proposed abatement, and by resolution, declare the weeds, rubbish, refuse, and flammable material located at 2200 North Martin Road to be a nuisance,

authorize the Code Enforcement Division to direct a contractor to abate such nuisances with the total cost for abatement to be placed with the San Joaquin County Auditor Controller's Office as a tax lien against the property.

Council Member Abercrombie asked if this was a normal and lengthy process. Ms. Contreras stated the goal was to achieve voluntary compliance and provide ample time for that to occur. Ms. Contreras further stated specific code requirements provide time limits for each action.

Mayor Pro Tem Maciel asked if there had been direct communication with the property owner. Ms. Contreras stated there had been numerous communications with the property owner. Mayor Pro Tem Maciel asked if this was brought to staff's attention through a complaint. Ms. Contreras stated yes.

Council Member Elliott asked if staff had heard from the property owner but that they have not been compliant. Ms. Contreras stated that was correct.

Mayor Ives opened the public hearing.

Dennis Edwards addressed Council regarding the situation and suggested that perhaps the Boy Scouts or a community group could help this property owner.

As there was no one wishing to address Council on the item, the public hearing was closed.

Mayor Pro Tem Maciel asked if the residence was vacant. Ms. Contreras stated yes, for approximately one to two years. Ms. Contreras also indicated she had spoken with the property owner regarding assistance in abating the nuisance and the property owner has always refused.

Council Member Rickman thanked Ms. Contreras for her efforts and encouraged her to keep going strong.

It was moved by Council Member Abercrombie and seconded by Council Member Rickman to adopt Resolution 2011-184 declaring the existence of weeds, rubbish, refuse and flammable material at 2200 North Martin Road a public nuisance; considering objections to abatement of said nuisance, and approving a contractor to abate said nuisance. Voice vote found all in favor; passed and so ordered.

4. INTRODUCTION OF AN ORDINANCE AMENDING SECTION 3.08.580 OF THE TRACY MUNICIPAL CODE WHICH REGULATES THE ESTABLISHMENT OF SPECIAL SPEED ZONES - Kuldeep Sharma, City Engineer, presented the staff report. Mr. Sharma stated that the use of radar equipment is one of the most effective tools for enforcing speed limits and traffic safety on City streets. To assist the Police Department in fully using the equipment, it is necessary to establish speed limits in accordance with the requirements of the California Vehicle Code (CVC). To legally use radar equipment for speed enforcement, engineering and traffic surveys are needed to establish posted speeds once every five years. Also, if any major renovation to the street occurs that changes the characteristics of the roadway, traffic surveys are needed to re-establish speed limits in those segments.

Section 3.08.580, Article 12, of the Tracy Municipal Code (TMC) establishes speed zones on various streets in the City. The speed limit on streets is established on the basis of engineering and traffic surveys and the applicable traffic engineering standards. Speed limits in the vicinity of schools are posted in accordance with the requirements of the CVC and the California Manual of Uniform Traffic Control Devices. Because these surveys are good for a period of five years, the amendment to the TMC is necessary every five years to update these surveys resulting in an update of posted speeds.

An engineering and traffic survey was completed on a total of 14 segments of arterial and collector streets by the Engineering Division in August 2011. This survey is used to update the posted speeds and provide the basis for the proposed amendments of the TMC, thus resulting in continuation of special speed zones with updated speed limits on the street segments listed.

This update to the TMC will establish radar enforceable speed limit zones for segments on arterial and collector streets including Barcelona Drive, Central Avenue, Dove Drive/Way, Eastlake Circle, Glenbrook Drive, Grant Line Road, Jackson Avenue, Jefferson Parkway, Presidio Place, Starflower Drive and Summer Lane.

Speed limits are only recommended to be changed on Grant Line Road as listed in the agenda item. Minor corrections are made to the street names on Dove Drive/Way and Starflower Drive without any changes to the speed limits. The speed limits on the remaining 11 street segments surveyed remain unchanged.

Grant Line Road was recently widened from a two lane roadway to a four lane roadway segment between Parker Drive and Mac Arthur Drive. The speed survey shows that existing speed limits on Grant Line Road should be changed from 35 mph to 40 mph. This will raise the existing speeds by 5 mph and will be consistent with the remaining Grant Line Road segment. Speed limits on all other street segments will remain unchanged.

The recent survey also indicated that Chrisman Road between Eleventh Street and Brichetto Road is within the jurisdiction of San Joaquin County. Therefore, all references to this segment in the speed zone article shall be removed. In addition, suffixes/prefixes such as Drive, Way, Road, etc. for a few street names in the Tracy Municipal Code have been corrected to match the names listed in the San Joaquin County Assessor's Map books.

The recommendations are primarily based upon the 85th percentile speed of surveyed moving vehicles on those streets under normal conditions with consideration given to the existing road site conditions such as street alignment, classification, collision history, etc. These considerations allow further adjustment of the surveyed speed based on the above conditions in accordance with the provisions of the CVC. The recommended speed limits have already been adjusted for such considerations. Research indicates that posting speeds lower than the closest 85th percentile speed does not lower the speed of motorists unless the above constraints exist.

The Police Department has reviewed the surveys and concurs with the proposed speed limits.

A copy of all engineering and traffic surveys certified as correct by the City Engineer will be maintained in the Engineering Division files with a duplicate copy on file with the Police Department.

There will be no fiscal impact to the General Fund. Enforcement of speed limits is a budgeted item and is the Police Department's responsibility. Signing and striping is a budgeted item and changes as a result of speed changes will be performed by Public Works staff. This recommended change involves only one speed sign on Grant Line Road.

Staff recommended that City Council introduce an ordinance amending Section 3.08.580, "Special Speed Zones," Article 12, of the Traffic Regulations of the Tracy Municipal Code.

Paul Miles addressed Council regarding the 5 mph adjustment in speed and the 85th percentile. Mr. Sharma stated the 5 mph reduction in speed depended on the roadway, site distance issues, road alignment, and did not apply to all streets.

The Clerk read the title of proposed Ordinance 1163.

It was moved by Council Member Abercrombie and seconded by Council Member Rickman to waive the reading of the text. Voice vote found all in favor; passed and so ordered.

It was moved by Council Member Abercrombie and seconded by Council Member Rickman to introduce Ordinance 1163. Voice vote found all in favor; passed and so ordered.

5. PRESENT AND DISCUSS THE CITY'S FUTURE ORGANIZATIONAL STRUCTURE AND ADOPT RESOLUTIONS TO GRANT DESIGNATED PERIODS FOR TWO YEARS ADDITIONAL SERVICE CREDIT WITH THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM - Leon Churchill, Jr., City Manager, presented the staff report. On September 20, 2011, the City Council approved Resolution 2011-179 disclosing the costs associated with funding the provision for the Two Years Additional Service Credit Program for retirement of designated classifications.

The City has addressed its structural budget deficit by utilizing various workforce reduction principles. The City Manager has identified an incentivized workforce reduction as one of several strategies to help stabilize the City's financial condition as personnel costs are reduced. As such costs are the most significant expenditure for the City's annual operating budget, proposing the Two Years Additional Service Credit is an effort to get the City to a balanced budget without Measure E revenue. Staff has determined that the Two Years Additional Service Credit would support fiscal sustainability goals.

Under California Government Code Section 20903, an agency may provide the Two Years Additional Service Credit Program to members who retire during a designated period because of impending mandatory layoffs, transfers, or demotions. Implementing the Program requires public notice of prospective costs and savings, in accordance with California Government Code Section 7507, at least two weeks prior to the adoption of a Resolution. The public disclosure of costs occurred at the Council meeting held on September 20, 2011.

The second action requires designating a specified time period(s) of between 90 and 180 days during which eligible employees must retire to receive the retirement incentive, as well as adopting a Resolution(s) implementing the additional service credit provision, including approving the required certifications of compliance.

The City Manager has proposed designating the following three separate time periods, or windows, during which eligible employees must retire:

Window 1: November 1, 2011 through February 29, 2012

Window 2: April 1, 2012 through June 30, 2012

Window 3: September 1, 2012 through January 31, 2013

The recommended classifications to be offered the Two Years Additional Service Credit are as follows:

- Accounting Assistant
- Accounting Officer
- Accounting Technician
- Airport Coordinator
- Assistant City Clerk
- Assistant Civil Engineer
- Code Enforcement Officer
- Community Services Officer
- Crime Prevention Specialist
- Custodian
- Engineering Technician II
- Executive Assistant
- Finance and Administrative Services Director
- Housing Program Inspector II
- Maintenance Worker I
- Maintenance Worker II
- Plant Mechanic II
- Police Sergeant
- Public Works Director
- Recreation Services Supervisor
- Senior Maintenance Worker

A total of 28 employees are currently eligible to retire. Of the positions these employees occupy, 18 will be eliminated, 8 will be downgraded to lower classifications, and 2 will be filled similarly.

The City is committed to implementing the workforce reduction plan, which includes no rehiring of eliminated positions, no reclassifying of downgraded positions, and contracting out whenever possible. Adherence to the workforce reduction plan does not preclude the City from addressing unanticipated staffing needs that could arise in the future should conditions change, such as service demand, population, or other external factors.

Gary Hampton, Police Chief, presented the Police Department's proposed organizational chart. Chief Hampton stated that the recent change of leadership at the Police Department has presented an opportunity to reassess the efficiencies and effectiveness of the department. Chief Hampton, assisted by Police Department Command and Supervisory staff, completed an evaluation of the current organizational structure, to

insure the greatest focus of organizational resources are directed toward serving the community at the first line service levels.

Utilizing the incentivized retirement program, it is proposed to eliminate from the department: two Police Sergeants, two Community Services Officers (non-sworn), one Crime Prevention Specialist (non-sworn), and one Administrative Assistant. The reduction represents ongoing decreased personnel costs of approximately \$654,000. The proposed structural reorganization of the Police Department effectively adds back to personnel staffing; one Police Captain, one Gang Investigator, one Non-sworn Support Operations Division Manager, and one Non-sworn Professional Standards Officer (part time). The added positions increase personnel costs by approximately \$570,000, which is offset by the ongoing personnel cost savings through the aforementioned eliminated positions. Through this plan sworn staffing remains at 85 and non-sworn staffing is reduced from 42 to 40.

The proposed redeployment of existing staff, in concert with elimination and reallocation of specific staff positions, is designed to achieve the following goals:

- Enhanced Command structure achieving greater accountability and enhanced risk management;
- Increased staff deployment at first line service levels;
- Dedicated focus on suppression and eradication of Gang and Street Crimes;
- Gain efficiencies through an organizational structure recommended by POST' Offset cost of reorganization and achieve ongoing operational cost reduction;
- Prepare for future organizational growth;
- Facilitate succession planning, and
- Sustain current sworn staffing levels.

No changes are planned for the Fire Department; therefore, no Fire Department personnel will be leaving the City as part of this initiative.

The Development and Engineering Services (DES) and Economic Development Departments will be merged by making the latter a division of the former. The new department will be referred to as the Development Services Department. Andrew Malik, the current Director, will have a larger span of control that forces considerable changes to his and others' responsibilities. The Director will focus on economic development activities at least 50 percent of his time while daily supervision of the planning, building, and code enforcement functions will be the responsibility of the Assistant Development Services Director.

The larger department is more complex, but removes any confusion on the responsibility for economic development. It lies with all employees, but allows for sufficient tension in the planning process. The planning process is where the debate occurs on what *should* happen. There should be no debate during the *permitting* process. This structure also enables other staff such as planners to help with some economic development functions.

Efficiencies will be gained by eliminating the Housing Program Inspector, a Code Enforcement Officer, and four engineering positions. A recent analysis of the Engineering Division suggests this unit can get significantly smaller in light of reduced development, capital, and project management activity. Additional changes in this department will be necessary depending on the outcome of redevelopment authority-related litigation with the State of California. That court decision is expected in early 2012.

The Parks and Community Services (PCS) and Public Works Departments will be merged to take advantage of several efficiencies. The merger involves some parts of PCS, commonly referred to as, the "hard services" of transportation, airport, and facility and field management. Public Works takes on a traditional look with this merger where all of the City's infrastructure and asset management is under one roof. The most visible change will be the merger of facility maintenance and rentals, and the merger of field maintenance and rentals. The merger will take place upon the retirement of the current Public Works Director.

Other parts of PCS will become a division of the City Manager's Office (CMO) at an undetermined time in 2012. These "soft services" include recreation and special events. The relationship with the Grand Theatre Center for the Arts and public outreach will likely be strengthened. Also, the City will also be able to reduce the number of points of sale by eliminating the PCS building as a separate location. All "retail functions" of the City will occur at the first floor of City Hall and the Grand Theatre Center for the Arts. This reorganization step also takes advantage of the unique skills in the City Manager's Office.

The Finance and Human Resources Departments will be merged in the spring of 2012 to form the Administrative Services Department. This consolidation includes a smaller human resources function and several downgraded positions in the finance area. This new department will require a new department leader to replace the Finance and Human Resources Director positions. All major functions of Finance, including Information Services, and Human Resources will be retained.

The estimated cost to provide the Two Years Additional Service Credit Program will be approximately \$97,685 annually or \$1,953,692 over 20 years. Following implementation of the Program, annual savings of \$2,078,470 are estimated, or \$41,569,408 over 20 years.

Staff recommended that the City Council adopt, by resolutions, to grant designated periods for Two Years Additional Service Credit with the California Public Employees' Retirement System.

Mayor Ives invited members of the public to address Council on the item.

Dave Helm, 1000 Central Avenue, asked if the Council had mandated the 25% reserve. Mr. Churchill stated yes. Mr. Helm asked if PERS costs were fixed or likely to increase. Mr. Churchill stated it is estimated that PERS costs will increase over the next three years. Mr. Johnston stated theoretically costs could go down too. Mr. Johnston stated the figures provided factored in the employees' ages. Mr. Johnston further stated second tiers are in place, and those have far less retirement formulas.

Mr. Helm asked if the \$90,000 was anticipated, but might be exceeded if CalPers doesn't get the return on their investment. Mr. Johnston stated that would be the actuary prediction. Mr. Helm asked what the projected deficit was for last year. Mr. Johnston stated the FY 10/11 budget was adopted with a deficit of \$4.8 million while the current budget was adopted with a \$1.6 million deficit.

Mr. Helm asked if Measure E funds had been received. Mr. Johnston stated data has been received for the first quarter ending June 30, 2011, and it looks like the City is on target.

Mr. Helm stated he was concerned about the number of sworn officers. Mr. Helm suggested the City consider directing the savings from the retirements back into the Police Department to get more officers on the street.

Robert Tanner, 1371 Rusher Street, referred to the last City Council meeting regarding the 18 positions to be eliminated and the fact that the City would be able to hire back 17 of those positions if times turn around. Mr. Johnston stated the way individuals should view this is that the City Manager is looking elsewhere to make savings without affecting service levels in Police and Fire.

Mr. Tanner suggested the City get to a balanced budget without Measure E.

Mayor Ives clarified that the City is considering this action because the City Council made a commitment to reach a balanced budget.

Council Member Elliott asked how offering the early retirement would be saving as much money versus just letting individuals retire without the incentive. Mr. Churchill indicated it was possible that a similar goal could be achieved, but it came with risks in meeting the goal; there is a time element and to reach those savings within the time frame beyond Measure E would be in jeopardy along with the risks of service delivery impacts.

Council Member Elliott stated then the value of doing this is that we add the predictability of when it happens, we get it done on the timelines so that we can balance the budget without Measure E by the time it sunsets and we can do it in an efficient manner when we do the reorganization. Mr. Churchill stated yes.

Council Member Abercrombie asked if the City would be at a balanced budget by FY 13/14 without this action, but this is to get us there because of Measure E. Mr. Johnston stated Council has an adopted policy to get to a balanced budget with Measure E with the adoption of the FY 14/15 year. Mr. Johnston stated his action is not related to Measure E; this is one of the pieces the City can do over the next two to three years to get the City to a position beyond FY 13/14 (without Measure E) of a balanced budget.

Council Member Abercrombie asked if the goal was to not fill the positions to realize the full savings. Mr. Johnston stated that was correct while serving 80,000 residents.

Council Member Abercrombie asked if the action would require the individuals to retire. Mr. Johnston stated no; it's an incentive and employees have an option. Mr. Johnston added staff was fairly confident that the individuals who have applied are serious about retiring.

Council Member Abercrombie asked how many position were filled of the 85 authorized sworn positions. Chief Hampton stated 83 are currently staffed; two were pending confidential matters.

Council Member Abercrombie asked the Chief where he would see allocating those sergeants in the new structure. Chief Hampton stated one to the community preservation unit and one to field operations.

Council Member Abercrombie asked Chief Hampton if 85 was the number of sworn officers he was most comfortable with or should it be at 87 or 88. Chief Hampton stated he could not provide Council with a definitive answer, indicating a comprehensive staffing analysis would have to be done and he has only been on board for six weeks.

Chief Hampton stated he was confident that the current service standards would be sustained or enhanced through the re-organization.

Mayor Ives stated he was concerned with the pending vacancies in the accounting department. Mr. Churchill stated the Mayor had just defined the criteria search for the new Director. Mr. Churchill added he hoped to begin designing that position and around May or June begin the search with an overlap of service with Mr. Johnston.

Mayor Ives stated that while there were four members of the accounting department scheduled to retire, he hoped it would be in phases. Mr. Churchill stated he duly noted the concern and hoped that Council and members of the public understood the other component of this strategy which is workforce readiness.

Mayor Ives asked if the Chief has had discussions regarding the Tracy Court closure. Chief Hampton stated he has begun talking with the court administrator to explore the ability for Tracy officers and community members to appear for minor infractions via video vs. personal appearance. Chief Hampton stated it is a concern that would have a significant impact on overtime expenditures.

Mayor Ives, referring to the impending reorganization/retirement efforts, stated to staff that if and when it is needed, the Mayor and Council could get involved if things get to a point and something has to be done. Council was certainly amenable to helping out.

Council Member Rickman asked Chief Hampton that since he was new to Tracy, would it be beneficial for him to have more time. Chief Hampton stated he was confident that a comprehensive analysis had been done on the proposed structure; it was very familiar to command staff, and he was confident it would be successful now and in the extended future. Chief Hampton stated staff would continue conducting an analysis to ensure that the City is not experiencing any degradation in services. Chief Hampton stated the time that staff will need is to analyze staffing levels against Council's vision and community values.

Council Member Rickman asked with these staffing levels, would the Police be able to remain proactive. Chief Hampton stated yes.

Council Member Rickman asked if staff would still be able to go after companies with head of household jobs with gusto. Mr. Churchill stated it was one of the City's priorities and he was committed.

Council Member Elliott wanted to emphasize that the City does not lose sight of the importance of economic development.

Council Member Elliott asked if Police would be able to enhance gang enforcement with this new organization. Chief Hampton stated he was confident that the focus will continue in this area.

Council Member Elliott referred to the elimination of engineering positions and since many of those costs are absorbed in CIP funds, would there really be a savings. Mr. Malik stated there is still a general fund portion in their costs.

Mayor Pro Tem Maciel commended Mr. Churchill and staff on a well thought out plan. Mayor Pro Tem Maciel stated he understood that there are no guarantees. Mayor Pro Tem Maciel added it was important that the City not lose sight of the big picture of a

balanced budget within three years. Mayor Pro Tem Maciel stated he believed the City needed to move forward. If adjustments are necessary, then they can be dealt with later.

Council Member Abercrombie referred to the required 25% in reserves, asking what it used to be. Mr. Johnston stated the City never had a policy that prescribed an amount. Mr. Johnston stated there are two principles; a balanced budget and a certain amount in reserves.

Mayor Pro Tem Maciel asked if there was an industry standard for reserves. Mr. Johnston stated there is no standard in California.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Elliott to adopt Resolution 2011-185 to grant designated period from November 1, 2011 through February 29, 2012, for two years additional service credit with the California Public Employees' Retirement System. Voice vote found all in favor; passed and so ordered.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Elliott to adopt Resolution 2011-186 to grant designated period from April 1, 2012 through June 30, 2012, for two years additional service credit with the California Public Employees' Retirement System. Voice vote found all in favor; passed and so ordered.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Elliott to adopt Resolution 2011-187 to grant designated period from September 1, 2012 through January 31, 2013, for two years additional service credit with the California Public Employees' Retirement System. Voice vote found all in favor; passed and so ordered.

Mayor Ives called for a recess at 9:11 p.m. The meeting was reconvened at 9:21 p.m.

6. THAT CITY COUNCIL DISCUSS AND ACCEPT THIS REPORT PROPOSING GANG INTERVENTION AND PREVENTION EDUCATION FOCUSED ON 5th GRADE CHILDREN, IMPLEMENTED THROUGH THE CLASSROOM, IN PARTNERSHIP WITH TRACY UNIFIED SCHOOL DISTRICT AND TRACY D.A.R.E - Lt. Farmanian presented the staff report. Lt. Farmanian stated that although there are several national gang intervention and prevention programs, such as Gang Resistance Education and Training (G.R.E.A.T.) and Gang Resistance Intervention and Prevention (G.R.I.P.), which all include officer-instructed classroom curriculum focused on prevention, staff found that they lacked the ability to be modified and adapted to the uniqueness of any one community. It is essential that intervention and prevention education provided to Tracy youth is developed and focused upon the uniqueness of Tracy, specifically focusing upon the individual character of the community and gang culture to which Tracy youth are subjected. Additionally, education should provide tangible facts and lessons born out of the evolution of gang activity and culture in the Tracy region.

In June of 2011, three Tracy Police Officers and one San Joaquin County Juvenile Probation Officer received training to become G.R.E.A.T. instructors. At the conclusion of the training a debriefing of the program's curriculum and structured training was provided. While the program was similar to the D.A.R.E., program it did not allow for any modification or customization to address the specific needs and problems unique to Tracy. Also, staff felt that it was unnecessary to re-instruct programs, (such as peer pressure, decision making, conflict resolution, bullying, etc.) that the D.A.R.E. program had already addressed. From the beginning staff had identified the need to be able to structure a curriculum that was unique to the City Of Tracy.

To attain the uniqueness of gang intervention and prevention training for Tracy youth, Police Department staff has begun working with local experts and community stakeholders on the evolution, culture, trends and events of gangs in Tracy, developing curriculum that educates youth on the dangers and destructiveness of the gang lifestyle. The curriculum will not only be unique to Tracy, but will also retain the flexibility and adaptability to what is certain to be a change in gang practices and cultures as the community begins educating children on how to resist the destructiveness of the gang lifestyle. This is a critical element that cannot be gained through any of the canned national gang prevention/intervention programs.

Tracy Gang Intervention and Prevention education will be an officer-instructed curriculum facilitated in the classroom, focused on children in the fifth grade. Capitalizing on the success and credibility of the Tracy Drug Awareness Resistance and Education (D.A.R.E.) program, staff proposed to implement the gang education in the same classrooms where D.A.R.E. has been successfully instructed for more than a decade. At the conclusion of the D.A.R.E. program, fifth grade children will receive three to four additional weeks of training with the gang prevention/intervention curriculum.

The Gang Intervention and Prevention pilot program will focus on the fifth grade class at South School and will be taught by Tracy Police Officers and one San Joaquin County Juvenile Probation Officer. Besides the benefits of developing a curriculum that is customized to the needs of Tracy's youth, there are also benefits to instruction immediately following the D.A.R.E. program. Some of these benefits are:

- During the D.A.R.E. program the students are conditioned to an environment where they are encouraged to interact with the instructors and law enforcement. These established relationships will further enhance the success of the Gang Intervention, Prevention and Education program by reinforcing and nurturing the established trust and respect of law enforcement.
- The teachers will have been accustomed to, and supportive of, the nontraditional instructional environment.
- The students will already be conditioned to receiving life training skills such as, dealing with peer pressure, decision making, conflict resolution, bullying, all skills that can be woven into our police department's Gang Intervention and Prevention education program.

No funds are being requested to support this pilot program. The costs associated with the implementation of this program are limited to overtime hours needed to teach four lessons to seven fifth grade classes at South School. An estimated \$3,000 in overtime will be used to cover the costs of preparation and instruction. The overtime will be billed to the existing account established to support the Gang and Violent Crime Suppression Plan. There are no other costs associated with implementing this pilot program.

Staff recommended that the Council discuss implementing a gang prevention and intervention education program focused on fifth grade children in partnership with Tracy Unified School District and Tracy D.A.R.E.

Mayor Pro Tem Maciel asked if this was a pilot program for one school. Lt. Farmanian stated yes.

Council Member Elliott asked if this program was going to follow directly on the DARE program. Lt. Farmanian stated it would immediately follow the DARE program.

Mayor Ives invited public comment.

Don Sader, 16214 Redondo Drive, Director and CFO of D.A.R.E. encouraged Council to approve the program.

Mayor Pro Tem Maciel stated this program was important. D.A.R.E. can't be all things to all people but this program helps to cover other areas, and provides an opportunity for Tracy officers to be involved in the schools.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Rickman to accept the report to implement a Gang Prevention and Intervention Education Program focused on fifth grade children in partnership with Tracy Unified School District. Voice vote found all in favor; passed and so ordered.

7. ADOPT RESOLUTION AWARDED A FUEL SALES OPERATOR AND FUEL FACILITY LEASE AGREEMENT TO TURLOCK AIR CENTER, LLC DOING BUSINESS AS TRACY AIR CENTER, AT TRACY MUNICIPAL AIRPORT AND AUTHORIZING THE MAYOR TO EXECUTE AGREEMENT - Ed Lovell, Management Analyst, presented the staff report. Mr. Lovell stated on January 31, 2007, the City took over management of the City-owned aviation fuel facility at the Tracy Municipal Airport following the departure of the previous private operator.

On May 24, 2011, the City issued a Request for Proposals (RFP) to determine if any aviation fuel service operators were interested in entering into an agreement with the City to provide such services at the airport. June 27, 2011 was the deadline for the submission of proposals and Turlock Air Center, LLC (TAC) submitted the only proposal. City staff evaluated TAC's proposal to determine if TAC could provide the level and quality of aviation fuel services that local and transient aircraft owners/operators had come to expect at the airport. Some of the criteria used in this evaluation process included:

- Completeness of proposal
- Maximizing revenue to the City from the existing City-owned aviation fuel facility
- Proposer's understanding of the scope of aviation fuel services desired
- Past experience in providing similar aviation fuel services
- Methodology proposed to meet the Airport's fuel services needs
- The proposed variety of aviation fuel services to be offered
- Financial performance
- The proposed expansion of aviation related and other services to be offered or otherwise made available at the Airport.

Based on this evaluation process, staff concluded that TAC was qualified to offer aviation fuel and other aviation services at Tracy Municipal Airport. TAC's has proposed providing: (1) self-service fueling (as the City has offered in the past), (2) full-service fueling in which aviation fuel is delivered, via TAC-owned fuel trucks, directly to an aircraft, and (3) pilot-assisted fueling in which TAC's line-personnel assist pilots to obtain aviation fuel at the existing self-service fuel island. Items (2) and (3) are new services at the Airport. Other proposed improvements to the fuel facility include the installation of an additional 12,000 gallon storage tank for Jet A fuel, and TAC's agreement to assume

complete responsibility for maintaining and updating the existing fuel system to meet all governmental requirements as well as day-to-day operating requirements.

TAC's proposed package of aviation and other services is anticipated to increase use of the Airport and should lead to additional job creation. Additionally, TAC's fuel pricing and discount plan, which is incorporated in the proposed FSO Agreement, requires that (1) aviation fuel be priced competitively with local airports, (2) provides minimum defined discounts to aircraft owners and operators with aircraft based at the Airport, and (3) effectively accommodates the pricing-discount incorporated in the SASO Agreement between the City and Skyview Aviation, LLC.

TAC has agreed to provide a minimum annual payment guarantee of \$50,000, paid in advance, in the event that the rent and fees otherwise required under the proposed agreement to be paid in any year would have otherwise been less than \$50,000. The 2010/2011 fuel revenue realized was \$51,000, which compares favorably to the minimum payment guarantee of \$50,000.

TAC also desires to build a restaurant at the Airport, and has agreed, within six months of the approval of the FSO Agreement, to begin negotiations to enter into a separate ground-lease agreement with the City for unused airport land on which to place the restaurant, and to have the restaurant completed within 18 months of FSO Agreement approval. TAC understands that the Specialized Aeronautical Services Operator agreement between the City and Skyview Aviation, LLC (Skyview) offers certain negotiation rights to Skyview that may affect the City's ability to enter into such a ground-lease agreement.

TAC also desires to build corporate hangar(s) at the Airport, and has agreed, within 12 months of the approval of the FSO Agreement, to begin negotiations, under the parameters of the SASO agreement, to enter into a separate ground-lease agreement with the City for unused airport land on which to place the corporate hangar(s), and to have a corporate hangar completed within 24 months of FSO Agreement approval. Corporate hangars are aircraft hangars that are designed specifically to support the maintenance and storage of aircraft that are generally larger than those aircraft housed in existing City owned hangars, and generally owned by organizations, corporations, or individuals who pay others for the maintenance, refueling services, and operation of their aircraft. TAC understands that the Specialized Aeronautical Services Operator agreement between the City and Skyview Aviation, LLC (Skyview) offers certain negotiation rights to Skyview that may affect the City's ability to enter into such a ground lease agreement.

A 35-year agreement is proposed due to improvements anticipated by TAC, with options to extend for two additional 10-year terms. The proposed agreement provides the City with minimum annual revenue of \$50,000. The proposed agreement provides for a total payment for \$0.15 per gallon for the first 100,000 gallons sold each year, and a total \$0.13 per gallon for those gallons sold in excess of 100,000 gallons per year. The proposed agreement also provides for TAC to rent the ground under the existing City owned fuel facility at a rate of \$.05 per square foot per year. The proposed rent and fees are also favorable compared to similar surrounding airports. The proposed agreement provides for rent and fees adjustments to be made annually on October 15th of each year based on the lower of either (a) a cumulative three percent annual increase, or (b) the cumulative increase, since the commencement date of the agreement, in the Consumer Price Index for all Urban Consumers, all Items, for the San Francisco-Oakland-San Jose Metropolitan Area (1982-84 = 100).

Staff recommended that Council approve the proposed agreement between the City of Tracy and Turlock Air Center, LLC for the purpose of operating as a Fuel Service Operator at Tracy Municipal Airport.

Staff has estimated that contracting for the provision of these services will increase revenues to the Airport Enterprise Fund by at least \$6,000 annually due to increased fuel sales as well as to provide for a more predictable revenue stream, increase capacity of existing City staff, reduce risk to the City, attract new ancillary aircraft services, increase aviation related jobs and enhance the existing level of services.

Staff recommended that the Council approve the Fuel Sales Operator and Fuel Facility Lease Agreement between the City of Tracy and Turlock Air Center, LLC doing business as Tracy Air Center, relating to the management and operation of an existing City-owned fuel-facility at Tracy Municipal Airport, for the purposes of operating as a Fuel Sales Operator.

Mr. Lovell stated there was a typo in the agreement on page 12, section 9.13 that referred to "land rental fee" that would be corrected to read "ground lease fee" in all instances prior to the Mayor's signature.

Council Member Abercrombie asked why this item wasn't presented until after Council had an opportunity to present their expectations in two weeks. Mr. Buchanan stated the main reason was that the City had to move quickly on a fuel services operator. Mr. Buchanan stated that regardless of what happens at the workshop the City still needs someone to provide fueling services.

Council Member Abercrombie stated this item should have waited two more weeks. Council Member Abercrombie stated he understood there had been some concerns regarding Turlock Air at other airports such as finance and performance issues, and asked if the City had done a background check. Mr. Buchanan stated bidders were required to disclose any litigation in process and Turlock Air did disclose the information. However, staff evaluated the information and determined it was not relevant to this agreement and did other reference checks. Mr. Buchanan stated Turlock Air does business with another company in California and he had spoken with the airport manager who was very favorable to Turlock Air.

Council Member Elliott asked for clarification regarding the \$50,000 minimum. Mr. Buchanan stated it was correct. Mr. Buchanan added the City would receive \$50,000 up front per year, and if it goes over that per our ratio, the City would receive that amount near the end of the year.

Mayor Ives asked how many bid packages were mailed out. Bruce Ludeman, Airport Coordinator, stated the bid package was sent out to approximately 30 prospects and posted on the website. Mr. Buchanan stated a pre-bid conference was held and many questions were asked and answered. Mr. Buchanan added this represents a very good bid for the City.

Mayor Ives invited members of the public to address Council on the item.

Kim Hunter, 1745 Camelia Drive, stated he has been an aircraft owner for 12 years. Mr. Hunter shared a few concerns including the City only receiving one bid and the metrics used for fuel sales before Skyview came and overall revenue.

Mr. Buchanan stated that when the previous FPO had the fuel concession, the revenue to the City was approximately \$4,000 - \$5,000 per year. Mr. Buchanan further stated when the City took it over, a very aggressive pricing schedule allowed the City to realize \$50,000 per year, primarily due to the Airport Coordinator getting cheap fuel prices. Mr. Buchanan outlined specifics of the proposed contract and features the FPO will provide.

Mr. Hunter asked for clarification regarding a 12,000 gallon storage tank for Jet A. Mr. Buchanan stated Turlock Air has committed to put in a new 12,000 gallon tank as well as refurbishing the current tanks, and decrease the amount of fuel pricing so it will attract jet traffic.

Mr. Hunter stated he was concerned about the length of the lease and the litigation in Montrose, Colorado.

Steve Stuhmer, Turlock Air Services, provided a background of himself and his company. Mr. Stuhmer stated he put in the fuel in Turlock and operates it today. Mr. Stuhmer stated he believed he could bring jet traffic to Tracy by driving the jet fuel and intends on doubling the jet storage because he believes jet traffic is attainable.

Mayor Ives asked Mr. Stuhmer how he envisioned Skyview and Turlock would work together. Mr. Stuhmer stated he looked forward to meeting and working with him.

Council Member Elliott asked Mr. Stuhmer to discuss the lawsuits. Mr. Stuhmer stated the lawsuits are in Montrose, Colorado and outlined the series of events that led to the lawsuit.

John Favors, President of the Tracy Airport Association (TAA), stated he had serious concerns about the contract. Mr. Favors further stated the TAA is concerned about the company and the length of the contract. Mr. Favors urged Council to delay their decision until after the airport workshop.

Mayor Ives asked for clarification regarding the \$50,000 income to the City every year. Mr. Buchanan stated the City would receive \$50,000 yearly regardless of what the company made, and even if they make less than \$50,000.

Mayor Ives asked Mr. Buchanan if he was completely comfortable with the due diligence done on the background on Turlock Air. Mr. Buchanan stated yes. Mr. Buchanan stated the bidding process was fair with a lot of interested parties. Mr. Buchanan further stated many people who wanted to bid said the City was asking too much. Mr. Buchanan stated staff believes this is a good solid contract and a good solid provider.

Council Member Abercrombie asked why the length of the contract was so long. Mr. Buchanan stated the original contract was for 50 years and because of the financing involved, amortizing it over 35 years is very reasonable.

Council Member Rickman asked under the contract, what kind of improvements will Turlock Air provide. Mr. Buchanan stated installation of a new tank, upgrading the fuel system and the addition of fuel trucks providing a higher level of service than currently offered.

Council Member Rickman asked if at the end of the contract the City would retain the improvements. Mr. Buchanan stated it would revert to the City. Council Member

Rickman asked what happens in the case of a breach of contract. Mr. Sartor stated it goes to mediation which is not binding and then would then be litigated.

Mayor Pro Tem Maciel asked what the next steps would be if this was not approved. Mr. Buchanan stated the City would continue to operate the fueling service as we have done in the past. Mr. Buchanan stated the City will need capital funds to improve the fueling system.

Mayor Pro Tem Maciel asked if there was anything else that could be done to eliminate reservations or concerns. Mr. Buchanan stated he has not talked to Mr. Stuhmer regarding extending the request for proposals. Mr. Buchanan stated that staff and the City Attorney had done due diligence.

Mayor Ives asked how closely Turlock Air would need to work with the current FPO. Mr. Ludeman stated it's typical that airports have a variety of services that they provide, with multiple organizations on the field, and that it behooves every company to work together driving each other's services.

Mr. Churchill stated he was satisfied that the City had undergone a thorough background process. Mr. Churchill stated Council's options were to accept or reject the contract or possibly table it.

Council Member Abercrombie stated there seemed to be unrest between staff and Richard. Council Member Abercrombie stated he was concerned that the Airport Coordinator was retiring and asked who would be the buffer. Mr. Buchanan stated a half-time coordinator has been proposed for that position.

Council Member Abercrombie stated he was in favor of tabling a decision until more information was available.

Mayor Pro Tem Maciel stated he was hesitant in delaying a decision.

Council Member Rickman stated he didn't see a problem with tabling the decision for a few weeks.

Mayor Ives asked if the request for proposals outlined the term of the lease. Mr. Buchanan stated no.

Mr. Churchill stated in general, long term leases over 25 years are considered ownership in the property. Mr. Churchill suggested it is not an unusual term.

Council Member Elliott asked for clarification regarding allegations of non-performance. Mr. Buchanan stated quite the opposite; reports indicate he pays his bills on time, is cooperative, and lives up to expectations.

It was moved by Mayor Pro Tem Maciel that Council adopt a resolution awarding a Fuel Sales Operator and Fuel Facility Lease Agreement to Turlock Air Center, LLC doing business as Tracy Air Center at Tracy Municipal Airport and authorizing the Mayor to execute the agreement. The motion failed due to a lack of a second.

It was moved by Council Member Abercrombie and seconded by Council Member Rickman to table discussion of the item until a time as early as possible after the airport workshop. Voice vote found all in favor; passed and so ordered.

8. SECOND READING AND ADOPTION OF ORDINANCE 1162 AN ORDINANCE OF THE CITY OF TRACY AMENDING SECTIONS 3.04.010, 3.04.020(e), 3.04.030(c), 3.04.040(a),(b),(e) and (f), 3.04.050(a) and (b), 3.04.060(a), 3.04.070(b), 3.04.080(e), 3.04.090(a) and 3.04.100(b) OF CHAPTER 3.04, ENTITLED "FIREWORKS", OF THE TRACY MUNICIPAL CODE

The Clerk read the title of proposed Ordinance 1162.

It was moved by Mayor Pro Tem Maciel to waive the reading of the text. Voice vote found all in favor; passed and so ordered.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Elliott to adopt Ordinance 1162. Roll call vote found Council Member Elliott, Rickman, Mayor Pro Tem Maciel, and Mayor Ives in favor; Council Member Abercrombie opposed.

9. ITEMS FROM THE AUDIENCE – None.

10. COUNCIL ITEMS

- A. Consider an Item for Discussion on a Future City Council agenda Regarding Allowing Electronic Reader Board Signs to be Erected on Private Property -

Mayor Pro Tem Maciel stated this item was brought to his attention regarding public schools' ability to place reader boards and private schools unable to do so. Mayor Pro Tem Maciel stated he believe it was inherently unfair.

Council Member Rickman asked if Mayor Pro Tem Maciel was referring to private property or private schools. Mayor Pro Tem Maciel indicated he was referring to private schools.

Council Member Abercrombie asked if this would allow a reader board to be posted near the mall. Mr. Sodergren stated what was being proposed was two types of regulations; the City sign ordinance and types of signs by zoning district. Mr. Sodergren stated the proposal is an exception to those two to allow moving signs on private and public schools.

Council Member Abercrombie asked if there was a way to bring them all together and consider them at the same time. Mr. Sodergren stated the staff report for October 18 would request that only the freeway sign regulations be considered ahead of the sign ordinance.

Mayor Pro Tem Maciel indicated he was concerned with the school signs and was fine dealing with the issues separately.

It was moved by Mayor Pro Tem Maciel and seconded by Council Member Abercrombie to have staff bring an item back regarding whether Electronic Reader Board signs should be erected on private property be placed on a future City Council agenda for discussion. Voice vote found all in favor; passed and so ordered.

Mayor Ives reported on his attendance at the 2011 League of California Cities Annual Conference held in San Francisco, September 21 – 23, 2011.

Council Member Abercrombie suggested a second Downtown Workshop, similar to the one held earlier in the day, be scheduled before decisions are made regarding the Downtown. Council Member Elliott agreed.

11. ADJOURNMENT - It was moved by Council Member Abercrombie and seconded by Council Member Elliott to adjourn. Voice vote found all in favor; passed and so ordered. Time: 10:54 p.m.

The above agenda was posted at the Tracy City Hall on, September 29, 2011. The above are summary minutes. A recording is available at the office of the City Clerk.

Mayor

ATTEST:

City Clerk

TRACY CITY COUNCIL - SPECIAL MEETING MINUTES

November 15, 2011, 5:00 p.m.

Council Chambers, 333 Civic Center Plaza, Tracy

1. CALL TO ORDER – Mayor Ives called the meeting to order at 5:00 p.m. for the purpose of a closed session to discuss the items outlined below.
2. ROLL CALL – Roll call found Council Members Abercrombie, Elliott, Rickman, Mayor Pro Tem Maciel and Mayor Ives present.
3. ITEMS FROM THE AUDIENCE – None
4. CLOSED SESSION -
 - A. Personnel Matter (Gov. Code, section 54957)
 - Public Employee Appointment, Employment, Evaluation of Performance, Discipline, or Dismissal

Position Title: City Attorney
 - B. Labor Negotiations (Gov. Code, section 54957.6)
 - Unrepresented Employee: City Attorney

City's designated representative(s): An individual City Council Member or a subcommittee of the City Council
 - Employee Organizations:

Tracy Firefighters' Association
Teamsters Local 439, IBT
Tracy Mid-Managers' Bargaining Unit
Confidential Management Unit
Technical and Support Services Unit

City's designated representatives: R. Leon Churchill Jr., City Manager;
Maria Olvera, Director of Human Resources; and Jack Hughes, Liebert Cassidy Whitmore
5. MOTION TO RECESS TO CLOSED SESSION – Council Member Abercrombie motioned to recess the meeting to closed session at 5:00 p.m. Council Member Elliott seconded the motion. Voice vote found all in favor; passed and so ordered.
6. RECONVENE TO OPEN SESSION – Mayor Ives reconvened the meeting into open session at 6:37 p.m.

7. REPORT OF FINAL ACTION – In the case of TRAQC v. City of Tracy, San Joaquin Superior Court Case No. 39-2009-00201854-CU-WM-STK, Council Member Abercrombie moved to authorize the City to appeal the trial court ruling of October 31, 2011. This case involves a challenge to the Environmental Impact Report and related land use approvals for the Ellis project. Mayor Pro Tem Maciel seconded the motion. Voice vote found Council Members Abercrombie and Rickman, Mayor Pro Tem Maciel and Mayor Ives in favor; Council Member Elliott opposed. Motion carried 4:1.
8. ADJOURNMENT – It was moved by Council Member Abercrombie and seconded by Council Member Rickman to adjourn. Voice vote found all in favor; passed and so ordered. Time: 6:38 p.m.

The agenda was posted at City Hall on November 10, 2011. The above are action minutes.

Mayor

ATTEST:

City Clerk

AGENDA ITEM 1.B

REQUEST

**ADOPT RESOLUTION APPROVING THE ANNUAL REPORT ON DEVELOPMENT
IMPACT FEE REVENUES AND EXPENDITURES, AND MAKING FINDINGS AS TO
UNEXPENDED FUNDS**

EXECUTIVE SUMMARY

The City must issue an annual report relating to the development impact fees it imposes. For City Council consideration is the annual report on development impact fee revenues and expenditures, and the report of findings for unexpended development fee funds.

DISCUSSION

California Government Code sections 66000-66006 impose requirements for the collection and expenditure of development impact fees. The City has 69 different development impact fees through 30 different funds, with combined collected revenues of \$2,293,860 in the last fiscal year.

Under Government Code section 66006(b), the City must issue a yearly report relating to the development impact fees it imposes. In addition, pursuant to Government Code section 66001(d), the City must at least every five years make certain findings with respect to that portion of each development fee account remaining unexpended.

This report and the information attached to the proposed Resolution satisfy those statutory requirements for accounting for development impact fees.

The Building Industry Association of the Delta and Seecon Finance and Construction Company have requested a copy of this report and it was provided to each of them at least 15 days before the Council meeting, as required by law.

STRATEGIC PLAN

This agenda item is a routine operational item and does not relate to the Council's seven strategic plans.

FISCAL IMPACT

No fiscal impact to the City.

RECOMMENDATION

Adopt the attached resolution approving the annual report on development impact fee revenues and expenditures, and making findings as to unexpended funds.

Prepared By: Zane Johnston, Finance & Administrative Services Director

Approved By: R. Leon Churchill, Jr., City Manager

RESOLUTION _____

A RESOLUTION OF THE CITY OF TRACY APPROVING THE ANNUAL REPORT ON DEVELOPMENT IMPACT FEE REVENUES AND EXPENDITURES, AND MAKING FINDINGS AS TO UNEXPENDED FUNDS

WHEREAS, California Government Code sections 66000-66006 impose requirements for the collection and expenditure of development impact fees; and

WHEREAS, pursuant to Government Code section 66006(b), the City must issue a yearly report relating to the development impact fees it imposes; and

WHEREAS, pursuant to Government Code section 66001(d), the City must at least every five years make certain findings with respect to that portion of each development fee account remaining unexpended; and

WHEREAS, pursuant to Government Code section 66006(b)(2), notice of the City Council meeting at which this report was considered was mailed at least 15 days before the meeting to interested parties who requested notice.

NOW, THEREFORE, the Tracy City Council resolves as follows:

1. Annual Report of Development Impact Fees. The City Council approves the attached annual report of development impact fee revenues and expenditures for the fiscal year ending June 30, 2011, as set forth in Exhibits A, B and C.
2. Findings. The City Council here adopts the findings contained in the attached report of findings for the fiscal year ending June 30, 2011, as set forth in Exhibit D.

* * * * *

The foregoing Resolution _____ was passed and adopted by the Tracy City Council on the 6th day of December, 2011, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

Mayor

ATTEST:

City Clerk



City of Tracy
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Tracy, CA 95376

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CITY OF TRACY

DEVELOPMENT IMPACT FEES

ANNUAL REPORT, DECEMBER 2011 FOR FISCAL YEAR JULY 1, 2010 – JUNE 30, 2011

Adopted by City Council Resolution No. _____

December 6, 2011

This Annual Report is adopted pursuant to Government Code sections 66006(b) and 66001(d). The Report consists of four main parts, which are attached:

- Exhibit A Summary of Fund Balances, Fees Collected, Interest Earned and Project Expenditures
- Exhibit B Brief Description of Fees and Amounts of Fees, Including Exhibits B-1 through B-15
- Exhibit C Fee-Funded Capital Improvement Projects
- Exhibit D Report of Findings for Development Fee Funds

EXHIBIT A
Fund Balances, Fees Collected, Interest Earned and Project Expenditures
For Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(C) and (D).)

Fund	Fund Description	Beginning Fund Balance 07/01/10	Capital Development Fees Collected ¹	Interest / Investment Earnings ²	Fiscal Agent Earnings ³	Other Revenues ⁴	CIP Expenditures ⁵	Pjrt Reimbs &/or Interfund Transfers ⁶	Other Expenditures ⁷	Ending Fund Balance 06/30/11
311	Infill, Parks	\$ 817,477	\$ -	\$ 10,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 828,353
312	Infill, Strm Drn	896,603	42,607	14,351	-	-	(22,625)	-	-	930,935.87
313	Infill, Arterials	1,999,046	67,823	466	-	-	(430,714)	-	-	1,636,620.36
314	Infill, Bldg & Eqpt	712,518	2,277	11,244	-	-	(5,951)	-	-	720,087.14
315	Infill, Prgm Mgmt	100	-	1,691	-	-	(1,037)	-	-	753.63
316	Infill, Parking	65,506	-	14,402	-	-	-	-	-	79,907.84
317	Infill, Water	-	19,740	-	-	-	(19,740)	-	-	-
318	Infill, Wastewater	-	27,144	-	-	-	(27,144)	-	-	-
321	Plan C, Parks	3,705,493	-	36,597	-	-	-	-	-	3,742,089.98
322	Plan C, Strm Drn	5,706,267	-	94,571	-	-	-	-	-	5,800,837.95
323	Plan C, Arterials	2,917,375	-	10,880	-	-	(67,993)	-	-	2,860,261.61
324	Plan C, Gen Fac	7,675,385	-	139,194	-	-	(918,644)	-	-	6,895,934.90
325	Plan C, Utilities	2,512,447	-	(9,999)	-	-	(99,297)	-	-	2,403,150.45
391	Plan C, PM	1,067,563	-	-	-	-	(21,631)	-	-	1,045,931.57
345	RSP, PM	8,789,101	17,348	153,166	-	27,356	(3,462,008)	-	-	5,524,962.96
351	NEI, Ph 1	6,444,180	298,816	21,256	-	-	(2,314,608)	-	-	4,449,644.05
352	SMPA	7,957,441	230,942	120,989	-	-	(21,095)	-	-	8,288,276.79
353	I-205 Corridor	4,403,594	-	46,347	-	80,000	(934,710)	-	-	3,595,231.64
354	ISP, So	3,101,336	-	26,561	-	-	(77,924)	-	-	3,049,972.98
355	Presidio	5,064,452	-	103,453	-	-	-	-	-	5,167,904.84
356	Gateway	(63,509)	1,582,714	17,770	-	2,100,000	(15,664)	-	-	3,621,311.26
357	NEI, Ph 2	17,612,197	-	292,151	27	-	(297,909)	-	-	17,606,465.61
808	RTIF	-	4,450	2,024	-	-	(4,450)	-	-	2,023.45
N/A	Hab Mit Fees	-	-	-	-	-	-	-	-	-
N/A	Ag Mit Fees	-	-	-	-	-	-	-	-	-
N/A	County Fac Fees	-	-	-	-	-	-	-	-	-
TOTALS		\$ 81,384,571	\$ 2,293,860	\$ 1,107,988	\$ 27	\$ 2,207,356	\$ (8,743,144)	\$ -	\$ -	\$ 78,250,658

Footnotes:

- ¹ No development fees collected were refunded during FY10-11.
- ² Investment Earnings total includes fiscal agent earnings and cash-fair market value offsets.
- ³ Fiscal Agent Earnings are cash reserves held by bond Trustees that usually covers 1 year of principal and interest.
- ⁴ Other Revenues - F345, \$27,356 - CIP developer contribution (share of cost) for Grant Line Road, Afghan Islamic Center.
- ⁴ Other Revenues - F353, \$80,000 - CIP developer contribution (share of cost) for Naglee Road, Shooters Car Wash.
- ⁴ Other Revenues - F356, \$2,100,000 - CIP developer contributions (share of cost) for Hansen Sewer Line Improvements.
- ⁵ Capital Improvement Project (CIP) Expenditures: See Exhibit C.
- ⁶ No project reimbursements or refunds were made during FY10-11.
- ⁷ There were no other expenditures during FY10-11.

Exhibit B: Brief Descriptions of Fees and Amounts of Fees
For Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(A) and (B).)

Fund	Fund Description	Finance and Implementation Plan (FIP) Fee Descriptions	Resolution Number	Tracy Municipal Code §	Residential Fees Per Dwelling Unit (Except as indicated)			Non-Residential Fees Per Gross Acre (Except as indicated)			
					SFDU	2 - 4	≥ 5	Institution	Industrial	Office	Retail
311	Infill Area, Parks	Mini/Neighborhood and Community Parks	2006-179	13.12.010	\$5,429	\$4,524	\$3,619	N/A	N/A	N/A	N/A
312	¹ Infill Area, Storm Drainage	Storm Drainage	2006-179	13.04.010	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1
313	Infill Area, Arterials	Traffic Safety, Streets & Highways	2006-179	13.04.010	\$7,005	\$7,005	\$3,362	\$43,711	\$86,179	\$90,714	\$147,175
314	Infill Area, Building & Equipment	General Government & Public Safety Facilities	2006-179	13.04.010	\$2,628	\$1,958	\$1,958	\$107 ^{1a}	\$534 ^{1a}	\$534 ^{1a}	\$321 ^{1a}
317	¹ Infill Area, Water	Water Supply, Treatment, Storage and Distribution	2006-179	13.04.010	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1
318	¹ Infill Area, Wastewater	Wastewater Treatment and Conveyance	2006-179	13.04.010	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1	Exh A-1
316	² Infill Area, Downtown Imprvs Parking	Downtown Incentive Area Parking Fee	97-114	10.08.3470	N/A	N/A	N/A	N/A	N/A	Exh A-2	Exh A-2
321	³ Plan C Area, Parks	Mini/Neighborhood and Community Parks	2007-133	13.12.010	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3
322	³ Plan C Area, Storm Drainage	Storm Drainage	2007-133	13.04.010	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3
323	³ Plan C Area, Arterials	Traffic Safety, Streets & Highways	2007-133	13.04.010	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3
324	Plan C Area, General Facilities	General Government & Public Safety Facilities	2007-133	13.04.010	\$5,594	\$5,594	\$2,544	N/A	N/A	N/A	\$10,635
325	³ Plan C Area, Utilities	Water Supply, Treatment, Storage and Conveyance	2007-133	13.04.010	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3
325	³ Plan C Area, Utilities	Wastewater Treatment and Conveyance	2007-133	13.04.010	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3	Exh A-3
341	⁴ Residential Specific Plan Area, Parks	Mini/Neighborhood and Community Parks	2003-266	13.12.010	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4
342	⁴ Residential Specific Plan Area, Storm Drainage	Storm Drainage	2003-266	13.20.010	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4
343	⁴ Residential Specific Plan Area, Arterials	Traffic Safety, Streets & Highways	2003-266	13.20.010	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4
344	⁴ Residential Specific Plan Area, Public Buildings	General Government & Public Safety Facilities	2003-266	13.20.010	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4	Exh A-4
351	⁵ Northeast Industrial Area, Ph 1, Arterials	Traffic Safety, Streets & Highways	2008-065	13.04.010	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5
351	⁵ Northeast Industrial Area, Ph 1, Storm Drainage	Storm Drainage	2008-065	13.04.010	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5
351	Northeast Industrial Area, Ph 1, Water	Water Supply, Treatment, Storage and Distribution	2008-065	13.04.010	N/A	N/A	N/A	N/A	\$5,228	N/A	N/A
351	⁵ Northeast Industrial Area, Ph 1, Wastewater	Wastewater Treatment and Conveyance	2008-065	13.04.010	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5	Exh A-5
351	Northeast Industrial Area, Ph 1, Public Buildings	General Government & Public Safety Facilities	2008-065	13.04.010	N/A	N/A	N/A	N/A	\$3,559	N/A	N/A
352	⁶ South MacArthur Plan Area, Arterials	Traffic Safety, Streets & Highways	2005-253	13.04.010	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6
352	⁶ South MacArthur Plan Area, Storm Drainage	Storm Drainage	2005-253	13.04.010	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6
352	⁶ South MacArthur Plan Area, Parks	Mini/Neighborhood and Community Parks	2005-253	13.12.010	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6
352	⁶ South MacArthur Plan Area, Water	Water Supply, Treatment, Storage and Distribution	2005-253	13.04.010	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6
352	⁶ South MacArthur Plan Area, Wastewater	Wastewater Treatment and Conveyance	2005-253	13.04.010	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6	Exh A-6
354	Industrial Specific Plan South Area, Arterials	Traffic Safety, Streets & Highways	2009-048	13.04.010	\$6,645	\$3,189	\$3,189	N/A	\$74,620	\$86,714	\$125,120
354	⁷ Industrial Specific Plan South Area, Storm Drainage	Storm Drainage	2009-048	13.04.010	Exh A-7	Exh A-7	Exh A-7	Exh A-7	Exh A-7	Exh A-7	Exh A-7
354	Industrial Specific Plan South Area, Parks	Mini/Neighborhood and Community Parks	2009-048	13.12.010	\$7,309	\$6,091	\$4,872	N/A	N/A	N/A	N/A

Exhibit B: Brief Descriptions of Fees and Amounts of Fees
For Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(A) and (B).)

Fund	Fund Description	Finance and Implementation Plan (FIP) Fee Descriptions	Resolution Number	Tracy Municipal Code §	Residential Fees Per Dwelling Unit (Except as indicated)			Non-Residential Fees Per Gross Acre (Except as indicated)			
					SFDU	2 - 4	≥ 5	Institution	Industrial	Office	Retail
354	Industrial Specific Plan South Area, Public Buildings	General Government & Public Safety Facilities	2009-048	13.04.010	\$2,712	\$2,260	\$1,808	N/A	\$4,169	\$17,770	\$17,770
354	Industrial Specific Plan South Area, Water	Water Supply, Treatment, Storage and Distribution	2009-048	13.04.010	\$4,613	\$3,829	\$3,091	N/A	\$8,448	\$8,448	\$8,448
354	⁷ Industrial Specific Plan South Area, Wastewater	Wastewater Treatment and Conveyance	2009-048	13.04.010	Exh A-7	Exh A-7	Exh A-7	Exh A-7	Exh A-7	Exh A-7	Exh A-7
355	Presidio Area, Arterials	Traffic Safety, Streets & Highways	2001-351	13.04.010	\$4,142	N/A	N/A	N/A	N/A	N/A	N/A
355	Presidio Area, Arterials-Regional Fee	Regional Traffic Fee	2000-265	13.04.010	\$1,500	N/A	N/A	N/A	N/A	N/A	N/A
355	⁸ Presidio Area, Storm Drainage	Storm Drainage	2000-265	13.04.010	Exh A-8	Exh A-8	Exh A-8	Exh A-8	Exh A-8	Exh A-8	Exh A-8
355	Presidio Area, Public Buildings	General Government & Public Safety Facilities	2000-265	13.04.010	\$1,620	N/A	N/A	N/A	N/A	N/A	N/A
355	Presidio Area, Water	Water Supply, Treatment, Storage and Distribution	2001-351	13.04.010	\$556	N/A	N/A	N/A	N/A	N/A	N/A
355	Presidio Area, Wastewater	Wastewater Treatment and Conveyance	2000-265	13.04.010	\$1,105	N/A	N/A	N/A	N/A	N/A	N/A
356	⁹ Tracy Gateway Area, Arterials	Traffic Safety, Streets & Highways	2007-175	13.04.010	N/A	N/A	N/A	Exh A-9	Exh A-9	Exh A-9	Exh A-9
356	⁹ Tracy Gateway Area, Storm Drainage	Storm Drainage	2007-175	13.04.010	N/A	N/A	N/A	Exh A-9	Exh A-9	Exh A-9	Exh A-9
356	⁹ Tracy Gateway Area, Public Buildings	General Government & Public Safety Facilities	2007-175	13.04.010	N/A	N/A	N/A	Exh A-9	Exh A-9	Exh A-9	Exh A-9
356	⁹ Tracy Gateway Area, Water	Water Supply, Treatment, Storage and Distribution	2007-175	13.04.010	N/A	N/A	N/A	Exh A-9	Exh A-9	Exh A-9	Exh A-9
356	⁹ Tracy Gateway Area, Wastewater	Wastewater Treatment and Conveyance	2007-175	13.04.010	N/A	N/A	N/A	Exh A-9	Exh A-9	Exh A-9	Exh A-9
357	¹⁰ Northeast Industrial Area, Ph 2, Arterials	Traffic Safety, Streets & Highways	2008-010	13.04.010	Exh A-10	Exh A-10	Exh A-10	Exh A-10	Exh A-10	Exh A-10	Exh A-10
357	¹⁰ Northeast Industrial Area, Ph 2, Storm Drainage	Storm Drainage	2008-010	13.04.010	Exh A-10	Exh A-10	Exh A-10	Exh A-10	Exh A-10	Exh A-10	Exh A-10
357	Northeast Industrial Area, Ph 2, Water	Water Supply, Treatment, Storage and Distribution	2008-010	13.04.010	N/A	N/A	N/A	N/A	17,639	N/A	N/A
357	¹⁰ Northeast Industrial Area, Ph 2, Wastewater	Wastewater Treatment and Conveyance	2008-010	13.04.010	Exh A-10	Exh A-10	Exh A-10	Exh A-10	N/A	Exh A-10	Exh A-10
357	Northeast Industrial Area, Ph 2, Public Buildings	General Government & Public Safety Facilities	2008-010	13.04.010	N/A	N/A	N/A	N/A	\$2,804	N/A	N/A
353	¹¹ I-205 Corridor Area, Arterials	Traffic Safety, Streets & Highways	2007-136	13.04.010	11	11	11	11	11	11	11
353	¹¹ I-205 Corridor Area, Storm Drainage	Storm Drainage	2007-136	13.04.010	11	11	11	11	11	11	11
353	¹¹ I-205 Corridor Area, Parks	Mini/Neighborhood and Community Parks	2007-136	13.12.010	11	11	11	11	11	11	11
353	¹¹ I-205 Corridor Area, Public Buildings	General Government & Public Safety Facilities	2007-136	13.04.010	11	11	11	11	11	11	11
353	¹¹ I-205 Corridor Area, Water	Water Supply, Treatment, Storage and Distribution	2007-136	13.04.010	11	11	11	11	11	11	11
353	¹¹ I-205 Corridor Area, Sewer Treatment	Wastewater Treatment and Conveyance	2007-136	13.04.010	11	11	11	11	11	11	11
XXX	¹² Habitat Mitigation Fees	Multi-Species Habitat Conservation & Open Space	2009-196	13.04.010	Exh A-12	Exh A-12	Exh A-12	Exh A-12	Exh A-12	Exh A-12	Exh A-12
116	¹³ Agricultural Mitigation Fees	Agricultural Land Mitigation/Farmland Preservation	2005-278	13.28.010	Exh A-13	Exh A-13	Exh A-13	Exh A-13	Exh A-13	Exh A-13	Exh A-13
391	¹⁴ County Facilities Fees (CFF)	San Joaquin County Public Facilities	2005-142	13.24.010	Exh A-14	Exh A-14	Exh A-14	Exh A-14	Exh A-14	Exh A-14	Exh A-14
808	¹⁵ Regional Transportation Fees (RTIF)	Regional Transportation Impact Fees (RTIF)	Ord 1087	13.32.010	Exh A-15	Exh A-15	Exh A-15	Exh A-15	Exh A-15	Exh A-15	Exh A-15
31x	¹⁶ Infill Area, Program Mgmt	Specific Plan Area Program Management	2006-179	13.04.010	6	6	6	6	6	6	6

Exhibit B: Brief Descriptions of Fees and Amounts of Fees
For Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(A) and (B).)

Fund	Fund Description	Finance and Implementation Plan (FIP) Fee Descriptions	Resolution Number	Tracy Municipal Code §	Residential Fees Per Dwelling Unit (Except as indicated)			Non-Residential Fees Per Gross Acre (Except as indicated)				
					SFDU	2 - 4	≥ 5	Institution	Industrial	Office	Retail	
391	¹⁶ Plan C Area, Program Mgmt	Specific Plan Area Program Management	2007-133	13.04.010	6	6	6	6	6	6	6	6
345	¹⁶ Residential Specific Plan Area, Program Mgmt	Specific Plan Area Program Management	2003-266	13.04.010	6	6	6	6	6	6	6	6
351	¹⁶ Northeast Industrial Area, Ph 1, Program Mgmt	Specific Plan Area Program Management	2008-065	13.04.010	6	6	6	6	6	6	6	6
352	¹⁶ South MacArthur Plan Area, Program Mgmt	Specific Plan Area Program Management	2005-253	13.04.010	6	6	6	6	6	6	6	6
353	¹⁶ I-205 Corridor Area, Program Mgmt	Specific Plan Area Program Management	2007-136	13.04.010	6	6	6	6	6	6	6	6
354	¹⁶ Industrial Specific Plan South Area, Program Mgmt	Specific Plan Area Program Management	2008-223	13.04.010	6	6	6	6	6	6	6	6
355	¹⁶ Presidio Area, Program Mgmt	Specific Plan Area Program Management	2000-265	13.04.010	6	6	6	6	6	6	6	6
356	¹⁶ Tracy Gateway Area, Program Mgmt	Specific Plan Area Program Management	2007-175	13.04.010	6	6	6	6	6	6	6	6
357	¹⁶ Northeast Industrial Area, Ph 2, Program Mgmt	Specific Plan Area Program Management	2008-010	13.04.010	6	6	6	6	6	6	6	6

Footnotes:

- ¹ *Infill Area - Storm Drainage, Water and Wastewater fees: See Exhibit A-1. Public Buildings fees for non-residential development are per 1,000 Sq Ft of building area.*
- ^{1a} *Infill Area - Public Buildings fees for non-residential development are per 1,000 Sq Ft of building area.*
- ² *Infill Area - Downtown Improvements is for a Downtown Incentive Area Parking Fee. See Exhibit A-2 for fee schedule.*
- ³ *Plan C Area - Parks, Storm Drainage, Arterials, Water and Wastewater fees: See Exhibit A-3.*
- ⁴ *Residential Specific Plan Area - Arterial fees were no longer applicable after the July 2003 FIP Update. RSP Area fees were based on the number of allocated ECUs for the project: See Exhibit A-4.*
- ⁵ *Northeast Industrial Area, Ph 1 - Arterials, Storm Drainage and Wastewater fees: See Exhibit A-5.*
- ⁶ *South MacArthur Plan Area - Arterials, Storm Drainage, Parks, Water and Wastewater fees: See Exhibit A-6.*
- ⁷ *Industrial Specific Plan South Area - Storm Drainage and Wastewater fees: See Exhibit A-7.*
- ⁸ *Presidio Area - Storm Drainage fees: See Exhibit A-8.*
- ⁹ *Tracy Gateway Area - Golf Course, Golf Course Club House and Golf Maintenance Facilities fees were spread to other Phase 1 land uses: See Exhibit A-9.*
- ¹⁰ *Northeast Industrial Area, Ph 2 - Arterials, Storm Drainage and Wastewater fees: See Exhibit A-10.*
- ¹¹ *I-205 Corridor Area - Obligations vary between parcels: See attached document titled "I-205 Corridor Specific Plan, Spreadsheet #47, June 2007": Exhibit A-16.*
- ¹² *Habitat Mitigation fees are collected to mitigate loss of multi-species habitat. Fees are paid to San Joaquin Council of Governments (SJCOC). See Exhibit A-12.*
- ¹³ *Agricultural Mitigation fees are collected to mitigate loss of farmland and open spaces. See Exhibit A-13.*
- ¹⁴ *County Facilities Fees are collected to offset costs associated with County capital facilities. Fees are paid to San Joaquin County. See Exhibit A-14.*
- ¹⁵ *Regional Transportation Impact Fees are collected to finance the regional transportation capital projects. See Exhibit A-15.*
- ¹⁶ *Program Management fees are 5% of Construction Costs.*

Exhibits B-1 through B-15: Amounts and Descriptions of Fees
 For Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(A) and (B).)

EXHIBIT B-1: INFILL AREA - WATER, WASTEWATER, STORM DRAINAGE FEES							
Public Facilities	Residential Fees Per Unit			Non-Residential Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Industrial	Institutional	Office	Retail
Water Supply and Treatment	\$3,976	\$3,300	\$2,664	\$15,785	\$15,785	\$15,785	\$15,785
Water Distribution Upgrade	\$1,518	\$1,260	\$1,017	\$6,026	\$6,026	\$6,026	\$6,026
WW Conveyance-Corral Hollow Sewer	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WW Conveyance-Eastside Sewer	\$832	\$693	\$555	\$4,435	\$4,435	\$4,435	\$4,435
WW Conveyance-City Core Sewer	\$331	\$276	\$221	\$1,764	\$1,764	\$1,764	\$1,764
WW Treatment Plant Upgrade	\$8,720	\$7,251	\$5,827	\$26,606	\$26,606	\$26,606	\$26,606
WW AD 84-1 Reimb-Corral Hollow Sewer	\$635	\$529	\$424	\$3,385	\$3,385	\$3,385	\$3,385
WW AD 84-1 Reimb-Eastside	\$543	\$452	\$362	\$2,894	\$2,894	\$2,894	\$2,894
Storm Drainage Upgrade-East	\$4,213	\$2,581	\$2,130	\$53,090	\$53,090	\$53,090	\$53,090
Storm Drainage Upgrade-West	\$2,108	\$1,291	\$1,066	\$26,567	\$26,567	\$26,567	\$26,567
Storm Drainage Upgrade-East & West	\$2,319	\$1,420	\$1,172	\$29,219	\$29,219	\$29,219	\$29,219
Storm Drainage CFD 89-1 Reimb-East	\$176	\$108	\$89	\$2,220	\$2,220	\$2,220	\$2,220
Storm Drainage CFD 89-1 Reimb-East & West	\$18	\$11	\$9	\$222	\$222	\$222	\$222
Storm Drainage-Westside Outfall-West	\$1,628	\$997	\$823	\$20,510	\$20,510	\$20,510	\$20,510
Storm Drainage-Westside Outfall-East & West	\$1,465	\$897	\$741	\$18,459	\$18,459	\$18,459	\$18,459

EXHIBIT B-2: INFILL AREA - DOWNTOWN INCENTIVE AREA PARKING FEE	
Parking Fee	(\$500 + [\$0.19 x the number of square feet within the building]) x 5

EXHIBIT B-3: PLAN C AREA - WATER, WASTEWATER, ROADWAYS, STORM DRAINAGE, PARKS							
Public Facilities	Residential Fees Per Unit			Non-Residential (Edgewood Subd Only) Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Industrial	Institutional	Office	Retail
Water Supply-Edgewood	\$1,363	\$1,131	\$913	N/A	N/A	N/A	\$982
Water SSJID-Edgewood	\$746	\$621	\$497	N/A	N/A	N/A	\$1,123
WW Collection Systems	\$328	\$272	\$220	N/A	N/A	N/A	\$1,749
WW AD-84-1 Reimb-West	\$774	\$645	\$516	N/A	N/A	N/A	N/A
WW AD-84-1 Reimb-East	\$570	\$475	\$379	N/A	N/A	N/A	\$2,610
WW Treatment Plant Expansion	\$12,807	\$10,677	\$8,539	N/A	N/A	N/A	\$29,280
Arterials-Upgrade-R-1 Zone	\$21,610	\$21,610	\$10,286	N/A	N/A	N/A	N/A
Arterials-Upgrade-R-2 Zone	\$3,503	\$3,503	\$1,668	N/A	N/A	N/A	\$55,735
Arterials-Upgrade-R-3 Zone	\$8,839	\$8,839	\$4,207	N/A	N/A	N/A	N/A
Arterials-CFD 89-1 Reimb-R-1 Zone	\$16	\$16	\$8	N/A	N/A	N/A	N/A
Arterials-CFD 89-1 Reimb-R-2 Zone	\$41	\$41	\$20	N/A	N/A	N/A	\$624
Arterials-CFD 89-1 Reimb-R-3 Zone	\$132	\$132	\$64	N/A	N/A	N/A	N/A
Arterials-RSP Reimb-R-1 Zone	\$884	\$884	\$421	N/A	N/A	N/A	N/A
Arterials-RSP Reimb-R-2 Zone	\$1,444	\$1,444	\$689	N/A	N/A	N/A	\$21,690

Exhibits B-1 through B-15: Amounts and Descriptions of Fees
 For Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(A) and (B).)

EXHIBIT B-3: PLAN C AREA - WATER, WASTEWATER, ROADWAYS, STORM DRAINAGE, PARKS (CONTINUED)							
Public Facilities	Residential Fees Per Unit			Non-Residential (Edgewood Subd Only) Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Industrial	Institutional	Office	Retail
Arterials-RSP Reimb-R-3 Zone	\$1,947	\$1,947	\$927	N/A	N/A	N/A	N/A
Storm Drainage-Upgrade-Purple/Yellow Zone	\$2,780	\$1,723	\$1,418	N/A	N/A	N/A	N/A
Storm Drainage-Upgrade-Pink Zone	\$4,766	\$2,955	\$2,431	N/A	N/A	N/A	N/A
Storm Drainage-Upgrade-Orange Zone	\$2,086	\$1,293	\$1,064	N/A	N/A	N/A	\$26,469
Storm Drainage-Upgrade-Yellow Zone	\$2,897	\$1,796	\$1,477	N/A	N/A	N/A	N/A
Storm Drainage-Upgrade-Blue Zone	\$3,899	\$2,417	\$1,988	N/A	N/A	N/A	N/A
Storm Drainage-Upgrade-Byron Zone	\$2,078	\$1,288	\$1,060	N/A	N/A	N/A	N/A
Storm Drainage-Upgrade-Purple Zone	\$2,546	\$1,578	\$1,298	N/A	N/A	N/A	N/A
Storm Drainage-CFD89-1 Reimb-Pink Zone	\$110	\$69	\$55	N/A	N/A	N/A	N/A
Storm Drainage-RSP Reimb-Purple/Yellow Zn	\$3,029	\$1,877	\$1,535	N/A	N/A	N/A	N/A
Storm Drainage-RSP Reimb-Orange Zone	\$2,060	\$1,277	\$1,045	N/A	N/A	N/A	\$26,106
Storm Drainage-RSP Reimb-Yellow Zone	\$2,495	\$1,547	\$1,265	N/A	N/A	N/A	N/A
Storm Drainage-RSP Reimb-Blue Zone	\$2,695	\$1,670	\$2,205	N/A	N/A	N/A	N/A
Storm Drainage-RSP Reimb-Byron Zone	\$1,876	\$1,163	\$951	N/A	N/A	N/A	N/A
Storm Drainage-RSP Reimb-Purple Zone	\$4,096	\$2,539	\$2,076	N/A	N/A	N/A	N/A
Storm Drn-Subdrains-Byron Zn-Huntington Park	\$138	N/A	N/A	N/A	N/A	N/A	N/A
Storm Drn-Subdrains-Byron Zone-Westgate	\$334	\$0	\$97	N/A	N/A	N/A	N/A
Mini/Neighborhood Parks	\$4,693	\$3,911	\$3,129	N/A	N/A	N/A	N/A
Community Parks	\$1,549	\$1,290	\$1,033	N/A	N/A	N/A	N/A

EXHIBIT B-4: RESIDENTIAL SPECIFIC PLAN AREA - STORM DRAINAGE, PUBLIC BUILDINGS, PARKS							
Public Facilities	Fees based on number of Project Equivalent Consumer Units						
	All Residential Projects			All Non-Residential Projects			
Storm Drainage	\$7,593	\$7,593	\$7,593	\$7,593	\$7,593	\$7,593	\$7,593
Arterials	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public Buildings	\$16,312	\$16,312	\$16,312	N/A	N/A	N/A	N/A
Parks	\$433	\$433	\$433	N/A	N/A	N/A	N/A

EXHIBIT B-5: NORTHEAST INDUSTRIAL AREA, PH 1 - WASTEWATER, ARTERIALS, STORM DRAINAGE							
Public Facilities	Residential Fees Per Unit			Non-Residential (Industrial Only) Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Industrial	Institutional	Office	Retail
Wastewater Conveyance Upgrade	N/A	N/A	N/A	\$7,675	N/A	N/A	N/A
Wastewater Treatment Plant Upgrade	N/A	N/A	N/A	\$29,370	N/A	N/A	N/A
Wastewater CFD 89-1 Reimb	N/A	N/A	N/A	\$1,405	N/A	N/A	N/A
Arterials Upgrades	N/A	N/A	N/A	\$80,494	N/A	N/A	N/A
Arterials CFD 89-1 Reimb	N/A	N/A	N/A	\$382	N/A	N/A	N/A
Arterials RSP Reimb	N/A	N/A	N/A	\$1,484	N/A	N/A	N/A

Exhibits B-1 through B-15: Amounts and Descriptions of Fees
 For Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(A) and (B).)

EXHIBIT B-5: NORTHEAST INDUSTRIAL AREA, PH 1 - WASTEWATER, ARTERIALS, STORM DRAINAGE (CONTINUED)							
Public Facilities	Residential Fees Per Unit			Non-Residential (Industrial Only) Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Industrial	Institutional	Office	Retail
Storm Drainage Upgrade	N/A	N/A	N/A	\$40,297	N/A	N/A	N/A
Storm Drainage CFD 89-1 Reimb	N/A	N/A	N/A	\$176	N/A	N/A	N/A

EXHIBIT B-6: SOUTH MACARTHUR PLAN AREA - ALL FEES						
Residential Projects Only	Yosemite Vista Subdivision			Elissagaray Ranch Subdivision		
	Fees Per Unit			Fees Per Unit		
	SFD	2 - 4	≥ 5	SFD	2 - 4	≥ 5
Water	\$4,646	\$3,856	\$3,113	\$3,905	\$3,241	\$2,616
Wastewater-Eastside Sewer System Connection	\$543	\$451	\$364	\$27	\$23	\$18
Wastewater-Gravity Sewer Improvements	\$406	\$337	\$272	\$58	\$48	\$39
Wastewater Treatment Plant Upgrade	\$10,436	\$8,662	\$6,992	\$7,405	\$6,150	\$4,953
Arterials - Upgrades	\$9,785	\$9,785	\$4,657	\$7,758	\$7,758	\$3,693
Arterials - CFD 89-1 Reimb	\$74	\$74	\$74	\$74	\$74	\$74
Arterials - RSP Reimb	\$554	\$554	\$554	\$554	\$554	\$554
Storm Drainage - Upgrade	\$3,705	\$2,371	\$1,949	\$149	\$94	\$77
Storm Drainage - CFD89-1 Reimb	\$150	\$96	\$79	\$150	\$96	\$79
Mini/Neighborhood Parks	\$3,682	\$3,068	\$2,455	\$3,682	\$3,069	\$2,455
Community Parks	\$1,954	\$1,628	\$1,302	\$1,477	\$1,225	\$989
Public Buildings	\$3,322	\$2,768	\$2,214	\$2,791	\$2,317	\$1,870

EXHIBIT B-7: INDUSTRIAL SPECIFIC PLAN SOUTH AREA - STORM DRAINAGE, WASTEWATER							
Public Facilities	Residential Fees Per Unit			Non-Residential Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Industrial	Institutional	Office	Retail
	Storm Drainage - Upgrades - Zone 1	\$3,654	\$2,265	\$1,847	\$46,037	N/A	\$46,037
Storm Drainage - Westside Outfall - Zone 1	\$449	\$220	\$227	\$5,662	N/A	\$5,662	\$5,662
Storm Drainage - Upgrades - Zone 2	\$1,311	\$642	\$526	\$16,519	N/A	\$16,519	\$16,519
Storm Drainage - Westside Outfall - Zone 2	\$449	\$220	\$227	\$5,662	N/A	\$5,662	\$5,662
Wastewater Treatment Plant Upgrade	\$1,943	\$1,620	\$1,295	\$10,356	N/A	\$8,938	\$8,938
Wastewater - Sewer Collection Conveyance	\$3,237	\$2,676	\$2,158	\$1,995	N/A	\$1,995	\$1,995
Wastewater - Cheng Diversion Reimb	\$208	\$173	\$139	\$1,108	N/A	\$970	N/A

Exhibits B-1 through B-15: Amounts and Descriptions of Fees
 For Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(A) and (B).)

EXHIBIT B-8: PRESIDIO AREA - STORM DRAINAGE							
Residential Only Single Family Dwelling Units	Fees Per Unit			Non-Residential			
	Pink Zone	Purple Zone	Yellow Zone	Fee Per Gross Acre			
				Industrial	Institutional	Office	Retail
Storm Drainage - Westside Channel Reimb	\$963	N/A	N/A	N/A	N/A	N/A	N/A
Storm Drainage - Upgrades	N/A	\$333	\$717	N/A	N/A	N/A	N/A
Storm Drainage - RSP Reimb	N/A	\$1,145	\$1,145	N/A	N/A	N/A	N/A

EXHIBIT B-9: TRACY GATEWAY AREA - ALL FEES							
Public Facilities	Residential			Non-Residential			
	Fees Per Unit			Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Retail	Ofc w/o Def	Ofc w/ Def	Hotel
Water	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater-Conveyance & WRF	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Potable Water Improvements	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Streets & Highways	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Storm Drainage	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parks	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public Buildings	N/A	N/A	N/A	N/A	N/A	N/A	N/A

EXHIBIT B-10: NORTHEAST INDUSTRIAL AREA, PH 2 - WASTEWATER, ARTERIALS, STORM DRAINAGE							
Public Facilities	Residential			Non-Residential (Industrial Only)			
	Fees Per Unit			Fee Per Gross Acre			
	SFD	2 - 4	≥ 5	Industrial	Institutional	Office	Retail
Wastewater - Collections System Improvements	N/A	N/A	N/A	\$16,494	N/A	N/A	N/A
Wastewater - Treatment Plant Upgrade	N/A	N/A	N/A	\$16,786	N/A	N/A	N/A
Wastewater - CFD 89-1 Reimb	N/A	N/A	N/A	\$1,431	N/A	N/A	N/A
Arterials - Upgrades	N/A	N/A	N/A	\$67,181	N/A	N/A	N/A
Arterials - RSP Reimb	N/A	N/A	N/A	\$473	N/A	N/A	N/A
Arterials - Traffic Signals	N/A	N/A	N/A	\$1,605	N/A	N/A	N/A
Arterials - Land/Easement Acquisitions	N/A	N/A	N/A	\$21,597	N/A	N/A	N/A
Storm Drainage - Watershed Improvements	N/A	N/A	N/A	\$8,216	N/A	N/A	N/A
Storm Drainage - Land/Easement Acquisitions	N/A	N/A	N/A	\$40,453	N/A	N/A	N/A
Storm Drainage - CFD 89-1 Reimb	N/A	N/A	N/A	\$271	N/A	N/A	N/A

EXHIBIT B-12: HABITAT MITIGATION FEES				
Land Use	Multi-Purpose Open Space	Natural and Agricultural Lands	Vernal Pool - Uplands	Vernal Pool - Wetted
Fee Per Gross Acre	\$6,631	\$13,262	\$38,328	\$77,720

Exhibits B-1 through B-15: Amounts and Descriptions of Fees
 For Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(A) and (B).)

EXHIBIT B-13: AGRICULTURAL MITIGATION FEES			
Land Use	Land Purchase	Land Mitigation - Effluent	Land Mitigation - Non-Effluent
Fee Per Gross Acre	\$2,638	\$1,978	\$660

EXHIBIT B-14: COUNTY FACILITIES FEES							
Fee Category	Fee Per Dwelling Unit			Fee Per Building Square Foot			
	SFDU	2 - 4	≥ 5	Institution	Industrial	Office	Retail
Fees	\$ 1,707	\$ 1,462	\$ 1,462	\$ 0.35	\$ 0.19	\$ 0.35	\$ 0.39

EXHIBIT B-15: REGIONAL TRANSPORTATION IMPACT FEES							
Fee Category	Fee Per Dwelling Unit			Fee Per Building Square Foot			
	SFDU	2 - 4	≥ 5	Institution	Industrial	Office	Retail
Fees	\$ 2,987	\$ 1,792	\$ 1,792	\$ 1.50	\$ 0.90	\$ 1.50	\$ 1.19

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects						Five Year Plan - FY11-12 through FY15-16						July 1, 2011	
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	<----- New Appropriations Required ----->					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
71035	City Hall Vehicles New Development	97,503	F324-Plan C Area, Gen Fac F352-SMP Area F354-ISP South Area F355-Presidio Area	23,773 0 0 0	0 0 0 0	44,730 7,000 16,200 5,800	0 0 0 0	44,730 7,000 16,200 5,800	0 0 0 0	0 0 0 0	0 0 0 0	Jun 13 New Equipment	100%
71052	Police Radio Repeater and Tower, SMPA	18,300	F352-SMP Area	0	0	18,300	0	18,300	0	0	0	Apr 13 Insufficient Funds ¹	100%
71054	Expansion, Public Works Facility	2,229,720	F301-General Projects F324-Plan C Area, Gen Fac F351-NEI Area, Ph 1 F352-SMP Area F354-ISP South Area F355-Presidio Area F357-NEI Area, Ph 2	305,229 3,344 0 0 0 0 0	92,339 0 0 0 0 0 0	302,432 829,656 62,220 143,000 334,600 96,900 60,000	302,432 829,656 58,800 137,900 0 96,900 60,000	0 0 3,420 5,100 334,600 0 0	0 0 0 0 0 0 0	0 0 0 0 0 0 0	0 0 0 0 0 0 0	Jun 12 Design Underway Insufficient Funds	69%
71061	New Fire Station Relocate Station #96, West Grant Line Road	4,000,000	F353-I205 Corridor Area F314-Infill Area, Buildings F344-RSP Area Publ Bldgs	87,244 0 0	210,166 0 0	2,159,990 714,600 828,000	2,159,990 714,600 828,000	0 0 0	0 0 0	0 0 0	0 0 0	Jun 12 Design Underway	100%
71062	New Fire Station Relocate Station #92, Banta, E Grant Line Rd	4,343,200	F301-General Projects F351-NEI Area, Ph 1 F357-NEI Area, Ph 2 Tracy Rural Fire District	51,976 0 0 0	194,744 0 0 0	2,503,280 322,000 271,200 1,000,000	2,503,280 322,000 271,200 1,000,000	0 0 0 0	0 0 0 0	0 0 0 0	0 0 0 0	Jun 12 Design Underway	14%
71065	Added Parking Civic Center	420,000	F301-General Projects F314-Infill Area, Buildings	53,225 196,953	114,089 5,951	52,686 -2,904	52,686 -2,904	0 0	0 0	0 0	0 0	Aug 10 Work Complete	48%
72014	Traffic Signal Upgrades I205 Area, East	1,531,776	F353-I205 Corridor Area F323-Plan C Area, Arterials F313-Infill Area, Arterials Developer's Contribution	100 0 0 105,076	0 0 0 0	261,300 573,600 273,900 317,800	0 0 0 0	0 0 0 0	261,300 573,600 273,900 317,800	0 0 0 0	0 0 0 0	Jun 14 Insufficient Funds	100%
72025	Traffic Signal Grant Line & Paradise Rds	342,000	F351-NEI Area, Ph 1	0	0	342,000	0	342,000	0	0	0	Jun 13-Design Complete Insufficient Funds	100%
72056	Signal Modifications 11th St & Lammers Rd	405,000	F356-Tracy Gateway Area F245-Gas Tax	0 0	0 0	192,900 212,100	0 0	192,900 212,100	0 0	0 0	0 0	Dec 13 Insufficient Funds	48%

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects						Five Year Plan - FY11-12 through FY15-16					July 1, 2011		
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	<----- New Appropriations Required ----->					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
72062	Intersection Improves I205 & MacArthur Dr	21,525,800	F352-SMP Area	0	0	1,081,000	0	0	0	1,081,000	0	Jun 15	100%
			F355-Presidio Area	0	0	814,800	0	0	260,000	554,800	0	Insufficient Funds	
			F357-NEI Area, Ph 2	2,122	913	13,922,565	1,496,965	0	0	12,425,600	0		
			Future Developments	0	0	5,704,400	0	0	0	5,704,400	0		
72068	Traffic Signal Lammers & W Schulte Rd	705,840	F323-Plan C Area, Arterials	0	0	361,800	361,800	0	0	0	0	Oct 11	100%
			F313-Infill Area, Arterials	0	8,019	336,021	336,021	0	0	0	0	Work Underway	
72073	Intersection Improves MacArthur Blvd & Valpico Rd	310,000	F354-ISP South Area	0	0	310,000	310,000	0	0	0	0	Jun 12 Design Complete	100%
72074	Intersection Improves Tracy Blvd & Valpico Rd	200,000	F354-ISP South Area	0	0	200,000	200,000	0	0	0	0	Jun 12 Design Underway	100%
73002	Extension, MacArthur Dr 11th to Mt Diablo, Ph 1	12,195,518	F343-RSP Area, Arterials	749,638	911	98,769	98,769	0	0	0	0	Jun 14	7%
			Highway Grants	0	0	7,650,800	0	500,000	7,150,800	0	0	ROW/Design Underway	
			F242-Transp Sales Tax	0	0	3,695,400	0	0	3,695,400	0	0	Insufficient Funds	
73014	Widening, Corral Hollow Rd, Grant Line Rd to Mall Entry	6,662,304	F343-RSP Area, Arterials	164,186	0	257,400	257,400	0	0	0	0	Jun 12-Partial Completion	52%
			F353-I205 Corridor Area	1,359,632	607,288	334,098	334,098	0	0	0	0	Design Underway	
			Developer Contribution	641,700	0	98,000	98,000	0	0	0	0		
			F242-Transp Sales Tax	776,378	139,948	1,383,674	1,383,674	0	0	0	0		
			Highway Grants	0	0	900,000	900,000	0	0	0	0		
73035	Widening, Grant Line Rd, Naglee to Lammers Rd	3,502,412	F353-I205 Corridor Area	1,376,642	0	1,859,600	0	1,859,600	0	0	0	Jun 13-Partial Complete	100%
			Developer Contribution	266,170	0	0	0	0	0	0	0	Insufficient Funds	
73048	Widening, Grant Line MacArthur to City Limits	14,995,180	F351-NEI Area, Ph 1	1,158,108	2,261,721	11,575,351	630,951	0	10,944,400	0	0	Dec 15 ROW/Design Underway	100%
73052	Widening, Grant Line Rd Parker to MacArthur, Ph I	5,234,013	F313-Infill Area, Arterials	1,606,364	393,830	83,319	83,319	0	0	0	0	Jun 12-Work Underway	40%
			F241-Transp Devel Tax	1,268,413	0	31,587	31,587	0	0	0	0	Insufficient Funds	
			F242-Transp Sales Tax	52,002	0	0	0	0	0	0	0		
			F243-State Traffic Cong	0	700,000	0	0	0	0	0	0		
			F245-Gas Tax	666,609	87,276	344,613	344,613	0	0	0	0		

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects						Five Year Plan - FY11-12 through FY15-16					July 1, 2011		
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	<----- New Appropriations Required ----->					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
73057	Construct, Street "C" Naglee to Corral Hollow Rds	2,134,200	F353-I205 Corridor Area	0	0	2,134,200	0	0	192,000	1,942,200	0	Jun 15 Insufficient Funds	100%
73061	Extension, Valpico Rd Pebblebrook to MacArthur	3,305,332	F354-ISP South Area	986,848	37,584	2,280,900	31,600	0	2,249,300	0	0	Jun 14-Partial Complete Insufficient Funds	100%
73062	Widening, Tracy Blvd Sycamore to Valpico Rd	3,837,154	F354-ISP South Area Developer Contribution	645,697 3,077,000	28,976 0	3,162,481 -3,077,000	85,481 0	3,077,000 -3,077,000	0	0	0	Jun 06 - Complete Reimbursement Due	100%
73069	Construct, Street "A" Grant Line Rd to Auto Mall Dr	1,917,600	F353-I205 Corridor Area Developer Contribution	0 0	0 0	841,700 1,075,900	0 0	0 0	841,700 1,075,900	0 0	0	Jun 14 Insufficient Funds	100%
73084	New Interchange I205 & Lammers Rd	61,523,800	F356-Tracy Gateway Area Federal TEA Grant F242-Transp Sales Tax Developer Contributions Future Developments	54,340 691,152 0 146,086 0	0 104,994 0 4,450 0	18,035,660 5,851,654 2,679,000 349,464 33,607,000	25,660 5,851,654 100,000 349,464 0	0 0 0 0 0	0 0 0 0 0	18,010,000 0 500,000 0 0	0 0 2,079,000 0 33,607,000	Jun 16-EIR Underway Insufficient Funds	85%
73090	Extension, Chrisman Grant Line Rd to I205	3,985,891	F357-NEI Area, Ph 2	270,391	0	3,715,500	0	297,400	3,418,100	0	0	Jun 14-Prelim Pln Compl Insufficient Funds	100%
73092	Widening, Lammers Rd 3,000 feet south of 11th St	10,976,000	F356-Tracy Gateway Area	1,498,630	0	9,477,370	9,477,370	0	0	0	0	Jun 12 Insufficient Funds	100%
73093	Widening, 11th St 4,500 feet west of Lammers Rd	13,974,000	F356-Tracy Gateway Area	0	0	13,974,000	0	0	13,974,000	0	0	Jun 14 Insufficient Funds	100%
73095	Widening, Valpico Tracy Blvd to Pebblebrook Dr	10,905,000	F354-ISP South Area F313-Infill Area, Arterials F242-Transp Sales Tax	0 0 11,524	0 0 23,644	10,201,500 203,500 464,832	500,000 0 464,832	1,344,800 0 0	8,356,700 203,500 0	0 0 0	0	Jun 14 Insufficient Funds	95%
73102	Widening, Corral Hollow Byron to Grant Line, Ph II	4,333,200	F353-I205 Corridor Area Future Development	143,838 0	108,845 0	2,453,517 1,627,000	97,317 0	2,356,200 1,627,000	0 0	0 0	0	Jun 13 Insufficient Funds	100%
73103	Widening, Corral Hollow Rd, 11th to Schulte	4,849,600	F323-Plan C Area, Arterials F245-Gas Tax	370,650 0	95,873 0	1,856,577 2,526,500	1,856,577 192,000	0 2,334,500	0 0	0 0	0	Jun 13-Design Underway Insufficient Funds	48%

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects							Five Year Plan - FY11-12 through FY15-16					July 1, 2011	
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	<----- New Appropriations Required ----->					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
73126	Widening, MacArthur Dr Schulte to Valpico, Ph II	5,638,900	F313-Infill Area, Arterials Federal TEA Grant Developer Contribution	0 0 0	19,534 0 0	280,466 1,688,900 3,650,000	80,466 542,900 0	200,000 1,146,000 0	0 0 3,650,000	0 0 0	0 0 0	Jun 13 Insufficient Funds	70%
73128	Construction, Paradise Rd Through Parcel 31	1,823,000	F357-NEI Area, Ph 2 Future Development	0 0	0 0	653,700 1,169,300	653,700 0	0 1,169,300	0 0	0 0	0 0	Jun 13 Insufficient Funds	100%
74049	Wastewater Trtmt Plant Upgrade & Plant Expansion, Phase 1B	74,766,016	Debt Proceeds F325-Plan C Area, Utilities F351-NEI Area, Ph 1 F352-SMP Area F353-I205 Corridor Area F354-ISP South Area F355-Presidio Area F356-Tracy Gateway Area F318-Infill Wastewater F523-Wastewater Capital	30,000,000 23,098,212 543,000 2,999,355 4,759,662 310,500 1,700,000 0 4,701,025 5,790,158	0 0 0 0 0 0 0 0 27,008 0	-2,046,300 28,601 4,102,800 1,545 2,611,441 0 0 738,800 0 -4,599,791	0 28,601 0 1,545 7,441 0 0 0 0 799,509	0 0 0 0 0 0 0 0 0 0	-837,300 0 3,000,000 0 1,504,000 0 0 738,800 0 -4,405,500	-1,209,000 0 1,102,800 0 1,100,000 0 0 0 0 -993,800	0 0 0 0 0 0 0 0 0 0	Oct 08 Work Completed Interfund Reimb's	61%
74057	WW Line Upgrades, Grant Line Rd. East Trunk	2,419,900	F523-Wastewater Capital F318-Infill Wastewater	1,022,679 17,543	0 136	1,341,221 38,321	1,379,542 0	-38,321 38,321	0 0	0 0	0 0	May 11 Work Underway	2%
74064	Reclaimed Water Pipe, 11th St, W of Lammers Rd	1,893,600	F356-Tracy Gateway Area	0	0	1,893,600	0	1,893,600	0	0	0	Jun 13 Insufficient Funds	100%
74083	WW Treatment Plant Expansion - Ph 2A	20,000,000	F357-NEI Area, Ph 2 Future Development	577,072 0	310,134 0	4,112,794 15,000,000	4,112,794 0	0 0	0 15,000,000	0 0	0 0	Jun 14-Design Underway Insufficient Funds	100%
74084	WW Upgrades, East Side	2,115,200	F354-ISP South Area	13	8,393	2,106,794	1,106,794	1,000,000	0	0	0	Jun 13-Design Underway Insufficient Funds	100%
74097	Upgrade WW Collection System - Hansen Road	1,120,000	F356-Tracy Gateway Area	0	31,549	1,088,451	0	1,088,451	0	0	0	Jun 13 Planning Underway	100%
75032	Water Treatment/Supply Expansion, SSJID	50,538,954	F513-Water Capital F318-Infill Wastewater F353-I205 Corridor Area F325-Plan C Area, Utilities F351-NEI Area, Ph 1 F352-SMP Area F355-Presidio Area	4,470,900 1,273,910 9,217,738 20,119,797 10,412,100 2,364,100 2,665,900	0 14,509 0 0 0 0 0	-618,700 0 0 2,637,000 -2,060,300 220,900 -178,900	0 0 0 0 0 0 0	-2,679,000 0 0 2,637,000 0 220,900 -178,900	2,060,300 0 0 0 -2,060,300 0 0	0 0 0 0 0 0 0	0 0 0 0 0 0 0	Aug 05 Work Completed Interfund Reimb's	92%

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects						Five Year Plan - FY11-12 through FY15-16					July 1, 2011		
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	<----- New Appropriations Required ----->					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
75046	Water Distribution Sytem - NEI Area	3,154,500	F351-NEI Area, Ph 1	2,391,538	746	762,216	762,216	0	0	0	0	Dec 12 0 Insufficient Funds	100%
75061	Water Supply Purchases from WSID & BCID	11,397,339	F513-Water Capital F317-Infill Water	6,758,221 1,764,118	119,769 5,231	2,555,349 194,651	2,062,500 62,500	62,500 62,500	430,349 62,500	0 7,151	0	Feb 14 0 Insufficient Funds	17%
75069	Water Distribution Valpico, E of MacArthur	356,974	F325-Plan C Area, Utilities F352-SMP Area	56,834 0	0 0	178,200 121,940	2,110 121,940	176,090 0	0 0	0 0	0	Aug 13 0 Insufficient Funds	100%
75085	Water Distribution Systerr Tracy Gateway Area	5,338,000	F356-Tracy Gateway Area	53,572	0	5,284,428	5,284,428	0	0	0	0	Jun 12 Design Underway	100%
75090	New Water Line, Chrisman Rd, North of 11th St	4,860,250	F357-NEI Area, Ph 2	2,825,746	0	2,034,504	2,034,504	0	0	0	0	Dec 10 Work Completed	100%
75092	Water Well #9 (1.7 mgd)	2,983,919	F351-NEI Area, Ph 1 F352-SMP Area F355-Presidio Area	1,965,055 459,000 292,000	12,519 0 0	134,145 121,200 0	134,145 121,200 0	0 0 0	0 0 0	0 0 0	0	Dec 10 0 Work Completed 0	100%
75108	Water Lines, MacArthur Drive, Linne to Valpico	1,316,600	F513-Water Capital F325-Plan C Area, Utilities F352-SMP Area F354-ISP South Area	0 0 0 0	0 99,297 0 0	337,500 1,508,603 -291,300 -337,500	0 871,403 345,900 0	0 0 0 -337,500	337,500 637,200 -637,200 -337,500	0 0 0 0	0	Dec 11 0 Design Underway 0	74%
76027	Drainage Improves Bessie Ave, Eaton to GLR	662,782	F312-Infill Area, Storm Drain F541-Drainage Enterprise	407,761 0	19,078 231,601	4,342 0	4,342 0	0 0	0 0	0 0	0	Jun 11 0 Work Completed	65%
76028	Storm Drain Line Grant Line, W of Paradise	1,346,761	F351-NEI Area, Ph 1	52,461	0	1,294,300	0	1,294,300	0	0	0	Dec 13 Insufficient Funds	100%
76036	Channel Improvements C2 Channel, NEI Area	1,599,500	F351-NEI Ph 1 Area	0	0	1,599,500	0	1,599,500	0	0	0	Dec 13 Insufficient Funds	100%
76043	Drainage Improvements NE Industrial Area	340,100	F351-NEI Ph 1 Area	0	0	340,100	0	340,100	0	0	0	Dec 13 0 Insufficient Funds	100%
76045	Detention Basin 2A ISP South, Zone 2	5,236,507	F354-ISP South Area F322-Plan C Drainage F312-Infill Area, Storm Drain Developer's Contribution	703,285 839,222 0 3,694,000	0 0 0 0	2,214,760 263,470 182,900 -2,661,130	0 0 0 0	2,214,760 263,470 182,900 -2,661,130	0 0 0 0	0 0 0 0	0	Apr 07 0 Reimbursement Due 0 0	100%

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
 (Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects						Five Year Plan - FY11-12 through FY15-16					July 1, 2011		
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	<----- New Appropriations Required ----->					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
76053	Basin Upgrade, Placencia Fields	50,000	F345-RSP Area, Prgm Mgt F541-Drainage Enterprise	0 0	22,026 19,315	8,659 0	8,659 0	0 0	0 0	0 0	0 0	Dec 10 Work Completed	61%
76058	Pond Removal, Greenleaf #1 Pond	350,000	F312-Infill Area, Storm Drain	0	3,547	346,453	346,453	0	0	0	0	Jun 12 Design Completed	100%
76059	Drainage Improvements South MacArthur, Ph 2	675,600	F322-Plan C Drainage F352-SMP Area	0 0	0 0	621,600 54,000	621,600 54,000	0	0	0	0	Jun 11 Work Underway	100%
78054	Aquatics Center	13,551,000	F324-Gen Fac Plan C F352-SMP Area F354-ISP South Area F355-Presidio Area F391-Kagehiro Parks Developer Contribution	146,757 0 0 0 0 0	918,644 0 0 0 0 0	1,690,599 138,800 231,500 114,700 310,000 10,000,000	1,690,599 138,800 231,500 114,700 310,000 10,000,000	0 0 0 0 0 0	0 0 0 0 0 0	0 0 0 0 0 0	0 0 0 0 0 0	Jun 13 Design Underway	100%
78088	Library Facility Expansion Location Unknown	3,834,600	F311-Infill Area, Parks F324-Gen Fac Plan C F352-SMP Area F354-ISP South Area F355-Presidio Area Future Development	0 0 0 0 0 0	0 0 0 0 0 0	527,000 1,260,200 141,000 69,000 115,700 1,721,700	0 0 0 0 0 0	0 400,000 0 0 0 0	527,000 860,200 141,000 69,000 115,700 1,721,700	0 0 0 0 0 0	0 0 0 0 0 0	Jun 14 Insufficient Funds	100%
78093	Park Expansion Tracy Press Park	131,500	F341-RSP Area, Parks Developers Contribution	0 131,500	0 0	131,500 -131,500	0 0	131,500 -131,500	0 0	0 0	0 0	Dec 09 Reimbursement Due	100%
78115	Youth Sports Facilities, Holly Sugar Site	11,069,630	F301-General Projects F321-Plan C Area, Parks F352-SMP Area	290,646 0 0	1,254,615 0 0	6,998,369 1,648,000 878,000	6,998,369 1,648,000 878,000	0 0 0	0 0 0	0 0 0	0 0 0	Jun 12 Design Underway	23%
78124	Dog Park Site, Gretchen Talley Park	147,000	F391-Kagehiro Parks	0	0	147,000	147,000	0	0	0	0	Jun 12 Planning Underway	100%
79201	Infill Area Program Management	2,004,669	F31x-Infill Funds	225,609	83,002	1,696,058	108,058	80,000	80,000	80,000	1,348,000	Jun 16 Annual Contingency	100%
79202	Residential Spec Plan Program Management	124,008	F345-RSP Area, Prgm Mgt	78,092	2,438	43,478	43,478	0	0	0	0	Jan 11 Work Completed	100%

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects						Five Year Plan - FY11-12 through FY15-16						July 1, 2011	
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	<----- New Appropriations Required ----->					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
79203	I205 Area Program Management	802,217	F353-I205 Corridor Area	752,217	8,411	41,589	41,589	0	0	0	0	Jun 12 Annual Contingency	100%
79204	Plan C Area Program Management	5,092,511	F391-Plan C Area, Prgm Mgt	4,374,821	21,631	696,059	196,059	100,000	100,000	100,000	200,000	Jun 16 Annual Contingency ²	100%
79205	ISP South Area Program Management	1,805,040	Developer Contribution F354-ISP South Area	236,980 462,660	0 2,972	0 1,102,428	0 150,728	0 75,000	0 75,000	0 75,000	0 726,700	Jun 16 Annual Contingency	100%
79206	NEI Area, Ph 1 Program Management	2,315,040	F351-NEI Area, Ph 1 Developer Contribution	2,071,605 63,505	39,622 0	140,308 0	74,708 0	50,000 0	15,600 0	0 0	0 0	Jun 14 Annual Contingency	100%
79207	South MacArthur Area Program Management	383,989	F352-SMP Area	166,259	21,095	196,635	74,405	50,000	50,000	22,230	0	Jun 15 Annual Contingency	100%
79208	NEI Area, Ph 2 Program Management	2,300,750	F357-NEI Area, Ph 2	320,360	27,934	1,952,456	381,756	280,200	280,200	280,200	730,100	Jun 16 Annual Contingency	100%
79209	Tracy Gateway Area Program Management	1,741,650	F356-Tracy Gateway Area	8,410	1,200	1,732,040	291,100	242,300	292,300	292,300	614,040	Jun 16 Annual Contingency	100%
79210	Presidio Area Program Management	437,608	F355-Presidio Area	337,608	0	100,000	50,000	50,000	0	0	0	Jun 13 Annual Contingency	100%
79351	General Plan Update	1,283,201	F301-General Projects F345-RSP Area, Prgm Mgt	1,229,093 0	22,656 24,639	6,813 0	6,813 0	0 0	0 0	0 0	0 0	Jun 11 Work Underway	2%
79355	Infrastructure Master Plan	3,475,361	F391-UMP Facilities F345-RSP Area, Prgm Mgt	1,311,546 0	0 609,146	1,367,599 187,070	1,367,599 187,070	0 0	0 0	0 0	0 0	Sep 11 Work Underway	23%
79361	Shop Local Program RSP Prgm Mgmt	524,500	F345-RSP Area, Prgm Mgt	450,903	0	73,597	73,597	0	0	0	0	Dec 10 New Promotion	100%
79362	Brand Roll Out Plan RSP Prgm Mgmt	119,690	F345-RSP Area, Prgm Mgt	106,590	13,100	0	0	0	0	0	0	Dec 10 New Promotion	100%

EXHIBIT C
Summary of Expenses and Anticipated Construction Dates
for Fiscal Year Ended June 30, 2011
(Government Code §66006(b)(1)(C) and (D).)

Fee Funded Capital Improvement Projects				Five Year Plan - FY11-12 through FY15-16							July 1, 2011		
Project	Project Title	Project \$ Total	Funding Sources	Prior Years Expenditures	FY10-11 Actual Exp's	Total	< ----- New Appropriations Required ----- >					Anticipated Completion Date & Comments	% of Project Fee Funded
							FY11-12	FY12-13	FY13-14	FY14-15	FY15-16		
79363	Retail Incentives, West Valley Mall Revitalization	2,825,000	F345-RSP Area, Prgm Mgt	0	2,789,747	35,253	35,253	0	0	0	0	Apr 11 New Promotion	100%
TOTALS		<u>\$454,413,709</u>		<u>\$179,882,678</u>	<u>\$12,006,805</u>	<u>\$262,524,226</u>	<u>\$82,024,065</u>	<u>\$22,861,491</u>	<u>\$77,258,949</u>	<u>\$41,074,881</u>	<u>\$39,304,840</u>		
					Other Funding Sources	(3,104,990)							
					Net CIP Expenditures - Capital Development Funds	<u>\$8,901,815</u>							
<i>Footnotes:</i> ¹ Sufficient funds have not been collected to complete this project. ² Program Management fees are annual contingencies for Program Plan Areas not yet built out.													

**Exhibit D: Report of Findings for Development Fee Funds
Collected for the Fiscal Year Ended June 30, 2011
(Government Code §66001(d).)**

INFILL AREA, PARK FEE- FUND 311

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Infill July 2006 Update Finance and Implementation Plan and dated July 18, 2006, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INFILL AREA, STORM DRAINAGE FEE - FUND 312

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Infill July 2006 Update Finance and Implementation Plan and dated July 18, 2006, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INFILL AREA, ARTERIALS FEE - FUND 313

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Infill July 2006 Update Finance and Implementation Plan and dated July 18, 2006, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INFILL AREA, PUBLIC BUILDINGS AND EQUIPMENT FEE - FUND 314

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Infill July 2006 Update Finance and Implementation Plan and dated July 18, 2006, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INFILL AREA, DOWNTOWN IMPROVEMENTS PARKING FEE - FUND 316

In conjunction with the adoption of Tracy Municipal Code chapter 6.20 regarding the Downtown Incentive Program, and TMC section 10.08.3470(d)(3), regarding off-street parking requirements within the Downtown Incentive Area, development impact fees were established to offset a portion of the City's costs in upgrading parking and streetscape improvements in the Downtown Incentive Area.

INFILL AREA, WATER FEE - FUND 317

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Infill July 2006 Update Finance and Implementation Plan and dated July 18, 2006, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INFILL AREA, WASTEWATER FEE - FUND 318

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Infill July 2006 Update Finance and Implementation Plan and dated July 18, 2006, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PLAN C AREA, PARKS FEE - FUND 321

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Plan C June 2007 Update Finance and Implementation Plan and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PLAN C AREA, STORM DRAINAGE FEE - FUND 322

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Plan C June 2007 Update Finance and Implementation Plan and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PLAN C AREA, ARTERIALS FEE - FUND 323

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Plan C June 2007 Update Finance and Implementation Plan and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

**Exhibit D: Report of Findings for Development Fee Funds
Collected for the Fiscal Year Ended June 30, 2011**

(Government Code §66001(d).)

PLAN C AREA, GENERAL FACILITIES FEE - FUND 324

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Plan C June 2007 Update Finance and Implementation Plan and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PLAN C AREA, UTILITIES FEE - FUND 325

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Plan C June 2007 Update Finance and Implementation Plan and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PLAN C AREA, PROGRAM MANAGEMENT FEE - FUND 391

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Plan C June 2007 Update Finance and Implementation Plan and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

RESIDENTIAL SPECIFIC PLAN AREA, PARKS FEE - FUND 341

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Residential Specific Plan (RSP) 2003 Update Finance and Implementation Plan and dated July 15, 2003, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

RESIDENTIAL SPECIFIC PLAN AREA, STORM DRAINAGE FEE - FUND 342

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Residential Specific Plan (RSP) 2003 Update Finance and Implementation Plan and dated July 15, 2003, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

RESIDENTIAL SPECIFIC PLAN AREA, ARTERIALS FEE - FUND 343

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Residential Specific Plan (RSP) 2003 Update Finance and Implementation Plan and dated July 15, 2003, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

RESIDENTIAL SPECIFIC PLAN AREA, PUBLIC BUILDINGS FEE - FUND 344

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Residential Specific Plan (RSP) 2003 Update Finance and Implementation Plan and dated July 15, 2003, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

RESIDENTIAL SPECIFIC PLAN AREA, PROGRAM MANAGEMENT FEE - FUND 345

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Residential Specific Plan (RSP) 2003 Update Finance and Implementation Plan and dated July 15, 2003, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 1, ARTERIALS FEE - FUND 351

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 1 Update Finance and Implementation Plan and dated April 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 1, STORM DRAINAGE FEE - FUND 351

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 1 Update Finance and Implementation Plan and dated April 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

**Exhibit D: Report of Findings for Development Fee Funds
Collected for the Fiscal Year Ended June 30, 2011**

(Government Code §66001(d).)

NORTHEAST INDUSTRIAL AREA, PHASE 1, WATER FEE - FUND 351

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 1 Update Finance and Implementation Plan and dated April 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 1, WASTEWATER FEE - FUND 351

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 1 Update Finance and Implementation Plan and dated April 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 1, PUBLIC BUILDINGS FEE - FUND 351

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 1 Update Finance and Implementation Plan and dated April 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 1, PROGRAM MANAGEMENT FEE - FUND 351

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 1 Update Finance and Implementation Plan and dated April 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

SOUTH MACARTHUR PLAN AREA, ARTERIALS FEE - FUND 352

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called South MacArthur Plan Area Finance and Implementation Plan 2005 Update and dated September 20, 2005, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

SOUTH MACARTHUR PLAN AREA, STORM DRAINAGE FEE - FUND 352

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called South MacArthur Plan Area Finance and Implementation Plan 2005 Update and dated September 20, 2005, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

SOUTH MACARTHUR PLAN AREA, PARKS FEE - FUND 352

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called South MacArthur Plan Area Finance and Implementation Plan 2005 Update and dated September 20, 2005, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

SOUTH MACARTHUR PLAN AREA, WATER FEE - FUND 352

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called South MacArthur Plan Area Finance and Implementation Plan 2005 Update and dated September 20, 2005, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

SOUTH MACARTHUR PLAN AREA, WASTEWATER FEE - FUND 352

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called South MacArthur Plan Area Finance and Implementation Plan 2005 Update and dated September 20, 2005, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

SOUTH MACARTHUR PLAN AREA, PROGRAM MANAGEMENT FEE - FUND 352

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called South MacArthur Plan Area Finance and Implementation Plan 2005 Update and dated September 20, 2005, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

**Exhibit D: Report of Findings for Development Fee Funds
Collected for the Fiscal Year Ended June 30, 2011**

(Government Code §66001(d).)

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, ARTERIALS FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, ARTERIALS FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, STORM DRAINAGE FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, PARKS FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, PUBLIC BUILDINGS FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, WATER FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, WASTEWATER FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

INDUSTRIAL SPECIFIC PLAN SOUTH AREA, PROGRAM MANAGEMENT FEE - FUND 354

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Updated ISP South Finance and Implementation Plan and dated March 17, 2009, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PRESIDIO AREA, ARTERIALS FEE - FUND 355

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Presidio Planning Area Finance and Implementation Plan and dated June 30, 2000, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PRESIDIO AREA, ARTERIALS - REGIONAL FEE - FUND 355

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Presidio Planning Area Finance and Implementation Plan and dated June 30, 2000, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

**Exhibit D: Report of Findings for Development Fee Funds
Collected for the Fiscal Year Ended June 30, 2011
(Government Code §66001(d).)**

PRESIDIO AREA, STORM DRAINAGE FEE - FUND 355

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Presidio Planning Area Finance and Implementation Plan and dated June 30, 2000, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PRESIDIO AREA, PUBLIC BUILDINGS FEE - FUND 355

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Presidio Planning Area Finance and Implementation Plan and dated June 30, 2000, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PRESIDIO AREA, WATER FEE - FUND 355

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Presidio Planning Area Finance and Implementation Plan and dated June 30, 2000, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PRESIDIO AREA, WASTEWATER FEE - FUND 355

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Presidio Planning Area Finance and Implementation Plan and dated June 30, 2000, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

PRESIDIO AREA, PROGRAM MANAGEMENT FEE - FUND 355

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Presidio Planning Area Finance and Implementation Plan and dated June 30, 2000, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

TRACY GATEWAY AREA, ARTERIALS FEE - FUND 356

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Tracy Gateway Project Infrastructure Cost Obligations and Phase 1 Finance and Implementation Plan Update and dated July 17, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

TRACY GATEWAY AREA, STORM DRAINAGE FEE - FUND 356

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Tracy Gateway Project Infrastructure Cost Obligations and Phase 1 Finance and Implementation Plan Update and dated July 17, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

TRACY GATEWAY AREA, PUBLIC BUILDINGS FEE - FUND 356

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Tracy Gateway Project Infrastructure Cost Obligations and Phase 1 Finance and Implementation Plan Update and dated July 17, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

TRACY GATEWAY AREA, WATER FEE - FUND 356

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Tracy Gateway Project Infrastructure Cost Obligations and Phase 1 Finance and Implementation Plan Update and dated July 17, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

TRACY GATEWAY AREA, WASTEWATER FEE - FUND 356

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Tracy Gateway Project Infrastructure Cost Obligations and Phase 1 Finance and Implementation Plan Update and dated July 17, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

**Exhibit D: Report of Findings for Development Fee Funds
Collected for the Fiscal Year Ended June 30, 2011
(Government Code §66001(d).)**

TRACY GATEWAY AREA, PROGRAM MANAGEMENT FEE - FUND 356

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Tracy Gateway Project Infrastructure Cost Obligations and Phase 1 Finance and Implementation Plan Update and dated July 17, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 2, ARTERIALS FEE - FUND 357

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 2 Finance and Implementation Plan and dated January 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 2, STORM DRAINAGE FEE - FUND 357

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 2 Finance and Implementation Plan and dated January 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 2, WATER FEE - FUND 357

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 2 Finance and Implementation Plan and dated January 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 2, WASTEWATER FEE - FUND 357

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 2 Finance and Implementation Plan and dated January 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 2, PUBLIC BUILDINGS FEE - FUND 357

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 2 Finance and Implementation Plan and dated January 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

NORTHEAST INDUSTRIAL AREA, PHASE 2, PROGRAM MANAGEMENT FEE - FUND 357

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest financing and implementation plan (FIP), called Northeast Industrial Area - Phase 2 Finance and Implementation Plan and dated January 15, 2008, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

I-205 CORRIDOR AREA, ARTERIALS FEE - FUND 353

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest Cost Allocation Distribution Spreadsheet, called I-205 Corridor Specific Plan Spreadsheet #47 and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

I-205 CORRIDOR AREA, STORM DRAINAGE FEE - FUND 353

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest Cost Allocation Distribution Spreadsheet, called I-205 Corridor Specific Plan Spreadsheet #47 and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

I-205 CORRIDOR AREA, PARKS FEE - FUND 353

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest Cost Allocation Distribution Spreadsheet, called I-205 Corridor Specific Plan Spreadsheet #47 and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

**Exhibit D: Report of Findings for Development Fee Funds
Collected for the Fiscal Year Ended June 30, 2011
(Government Code §66001(d).)**

I-205 CORRIDOR AREA, PUBLIC BUILDINGS FEE - FUND 353

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest Cost Allocation Distribution Spreadsheet, called I-205 Corridor Specific Plan Spreadsheet #47 and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

I-205 CORRIDOR AREA, WATER FEE - FUND 353

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest Cost Allocation Distribution Spreadsheet, called I-205 Corridor Specific Plan Spreadsheet #47 and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

I-205 CORRIDOR AREA, SEWER TREATMENT FEE - FUND 353

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest Cost Allocation Distribution Spreadsheet, called I-205 Corridor Specific Plan Spreadsheet #47 and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

I-205 CORRIDOR AREA, PROGRAM MANAGEMENT FEE - FUND 353

The purpose of the fee, relationship between the fee and the purpose, the sources of anticipated funding and the approximate dates on which funding is expected are set forth (1) in the latest Cost Allocation Distribution Spreadsheet, called I-205 Corridor Specific Plan Spreadsheet #47 and dated June 19, 2007, and (2) in the extrapolation of the City's most recent Capital Improvement Plan, dated July 1, 2011, which is incorporated here by reference.

HABITAT MITIGATION FEES - FUND XXX

The purpose of the fee is to mitigate the cumulative impacts to threatened, endangered, rare, and unlisted SJMSCP covered species and other wildlife and other impacts to recreation, agriculture, scenic values, and other beneficial open space uses of new development on undeveloped lands. The relationship between the fee and the purpose for which the fee is imposed is set forth in the San Joaquin County Multi-Species Habitat Conservation and Open Space Plan, dated July 25, 2001 prepared by San Joaquin Council of Governments (SJCOG). The fees collected are remitted to SJCOG pursuant to the Plan.

AGRICULTURAL MITIGATION FEES - FUND 116

The purpose of the fee is to mitigate the loss of productive agricultural lands converted for urban uses within the City by permanently protecting agricultural lands planned for agricultural use and by working with farmers who voluntarily wish to sell or restrict their land in exchange for fair compensation. The relationship between the fee and the purpose is set forth in Tracy Municipal Code Chapter 13.28 and in the South San Joaquin County Farmland Conversion Fee Nexus Study, dated July 18, 2005 and prepared by ESA, including any amendments to it. Pursuant to Tracy Municipal Code section 13.28.080(b) and an agreement entered into, the monies in the fund are forwarded to the Central Valley Farmland Trust, Inc., a California non-profit public benefit corporation, a qualified entry under Chapter 13.28.

COUNTY FACILITIES FEE - FUND 391

The purpose of the fee is to finance the construction of region-serving capital facilities located throughout San Joaquin County to reduce the impacts caused by future development in San Joaquin County. The funds derived from County Facilities Fees will be used to finance the facilities identified in the San Joaquin County Facilities Fees Nexus Report dated October 23, 2003 and prepared by the County of San Joaquin. Pursuant to Tracy Municipal Code Chapter 13.24.020(b) and an agreement entered into, the monies in the fund are remitted to the County of San Joaquin, who is responsible for administering the fee funds and constructing the capital facilities.

REGIONAL TRANSPORTATION IMPACT FEE - FUND 808

The purpose of the fee is to finance the construction of transportation and transit improvements that help mitigate impacts to the San Joaquin County regional transportation network. Pursuant to Tracy Municipal Code Chapter 13.32.020(b)(2), the fees collected shall be used to finance Regional Transportation Impact Fee capital projects identified in the San Joaquin County Regional Transportation Impact Fee Technical Report dated October 27, 2005, prepared by the San Joaquin Council of Governments (SJCOG). The monies in the fund are remitted to SJCOG, who has the responsibility as the region's designated Metropolitan Planning Organization and through its powers as specified in its joint powers agreement to maintain and improve the Regional Transportation Network, as per the Regional Transportation Impact Fee Operating Agreement, dated October 27, 2005.

AGENDA ITEM 1.C

REQUEST

ACCEPTANCE OF THE TRAFFIC SIGNAL POLE REPLACEMENT PROJECT AT HOLLY DRIVE AND ELEVENTH STREET - CIP 72077, COMPLETED BY RICHARD A. HEAPS ELECTRICAL CONTRACTOR, INC., OF SACRAMENTO, CALIFORNIA, AND AUTHORIZATION FOR THE CITY CLERK TO FILE THE NOTICE OF COMPLETION

EXECUTIVE SUMMARY

The contractor has completed construction of the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street, in accordance with plans, specifications and contract documents. Acceptance of this project will facilitate release of bonds and retention monies to the contractor.

DISCUSSION

On May 3, 2011, City Council awarded a contract to Richard A. Heaps Electrical Contractor, Inc., of Sacramento, California, for construction of the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street, in the amount of \$19,470.

The project provided for the replacement of the traffic signal pole that was damaged during a traffic collision. The traffic signal pole was located at the median island on Holly Drive, north of Eleventh Street. Engineering staff prepared the plans and specifications for this project.

No change order was issued for this project.

Status of budget and project costs is as follows:

A. Construction Contract Amount	\$19,470
B. Design, Construction management, inspection, Testing, & miscellaneous expenses (Estimated)	\$ 5,000
C. Estimated Project Management Charges	<u>\$ 7,500</u>
D. Total Project Construction Costs	\$31,970
E. Budgeted Amount	\$40,000

The project has been completed, on schedule, per plans, specifications, and City of Tracy standards. Final project costs will include construction management, inspection, and testing. Total project costs have not yet been finalized but are estimated to be within the overall available budget for the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street.

FISCAL IMPACT

There is no impact to General Fund. The project associated costs are paid from the Gas Tax Fund. The City is currently pursuing all options available to fully recover all costs from the responsible party.

STRATEGIC PLAN

This agenda item is a routine operational item and does not directly relate to the Council's seven strategic plans.

RECOMMENDATION

That City Council, by resolution, accept the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street, CIP 72077 as completed by Richard A. Heaps Electrical Contractor, Inc., of Sacramento, California, in accordance with the project plans and specifications, and authorize the City Clerk to record the Notice of Completion with the office of the San Joaquin County Recorder. The City Engineer, in accordance with the terms of the construction contract, will release the bonds and retention payment.

Prepared by: Ripon Bhatia, Senior Civil Engineer

Reviewed by: Kuldeep Sharma, City Engineer

Approved by: Andrew Malik, Development Services Director
Leon Churchill, Jr., City Manager

RESOLUTION 2011- _____

ACCEPTING THE TRAFFIC SIGNAL POLE REPLACEMENT PROJECT AT HOLLY DRIVE AND ELEVENTH STREET - CIP 72077, COMPLETED BY RICHARD A. HEAPS ELECTRICAL CONTRACTOR, INC., OF SACRAMENTO, CALIFORNIA, AND AUTHORIZING THE CITY CLERK TO FILE THE NOTICE OF COMPLETION

WHEREAS, On May 3, 2011, City Council awarded a contract to Richard A. Heaps Electrical Contractor, Inc., of Sacramento, California, for construction of the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street, and

WHEREAS, The project provided for the replacement of the traffic signal pole that was damaged during a traffic collision, and

WHEREAS, Status of budget and project costs is as follows:

Construction Contract Amount	\$19,470
Design, Construction management, inspection, Testing, & miscellaneous expenses (Estimated)	\$ 5,000
Estimated Project Management Charges	<u>\$ 7,500</u>
Total Project Construction Costs	<u>\$31,970</u>

WHEREAS, The project has been completed, on schedule, per plans, specifications, and City of Tracy standards, and

WHEREAS, Total project costs have not yet been finalized but are estimated to be within the overall available budget, and

WHEREAS, There is no impact to General Fund. The project associated costs are paid from the Gas Tax Fund. The City is currently pursuing all options available to fully recover all costs from the responsible party;

NOW, THEREFORE, BE IT RESOLVED That City Council accepts the Traffic Signal Pole Replacement Project at Holly Drive and Eleventh Street, CIP 72077 as completed by Richard A. Heaps Electrical Contractor, Inc., of Sacramento, California, in accordance with the project plans and specifications, and authorizes the City Clerk to record the Notice of Completion with the office of the San Joaquin County Recorder. The City Engineer, in accordance with the terms of the construction contract, will release the bonds and retention payment.

The foregoing Resolution _____ was adopted by the Tracy City Council on the 6th day of December, 2011 by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST

CITY CLERK

AGENDA ITEM 1.D

REQUEST

APPROVE A LIST OF CITY OF TRACY PROJECTS FOR SAN JOAQUIN COUNCIL OF GOVERNMENT'S ONE VOICE TRIP TO WASHINGTON D.C., FOR CONGRESSIONAL FUNDING APPROPRIATION REQUESTS

EXECUTIVE SUMMARY

Approval of the list of projects by City Council will make these projects eligible for congressional funding appropriation requests.

DISCUSSION

Every year the City of Tracy submits a list of projects for consideration at the annual congressional funding appropriations during One Voice trip to Washington D.C., by San Joaquin County, Council of Governments, and cities elected officials. Each city is requested to submit a total of two projects; one project of regional significance, and one project for local improvements.

Staff has reviewed the existing needs of various transportation projects and is recommending the following two projects for the One Voice trip. The same projects were submitted for the years 2010 and 2011 consideration for the One Voice Trip as well, however, the City did not receiving any funding in 2011. The City has received funds for the I-205/Lammers Road Interchange during previous years and the City is preparing the project's environmental documents and the Project Report.

- I-205/Lammers Road Interchange Improvements
Total Construction Cost - \$62 million
Requested appropriation - \$5 million
- New MacArthur Drive above grade crossing over UPRR Mococo line
Total Construction Cost - \$28 million
Requested appropriation - \$5 million

The I-205/Lammers Road project is of regional significance and will connect Byron Road and Contra Costa County to Highway 580. This project is also essential for development of the Tracy Gateway project and will initiate developments north of I-205 along Lammers Road.

The existing at-grade Union Pacific Railroad (UPRR) Mococo line crossing with MacArthur Drive (adjacent to Sixth Street) will divide the City into two separate unconnected areas for the duration of the freight trains movement through the City when the line is activated for higher volumes of train traffic. The proposed above grade crossing at the new MacArthur Drive alignment over the Mococo line will alleviate this condition. The above grade crossing at the new alignment of MacArthur Drive (east of the UPRR switch yard) intersecting with the Eleventh Street overpass will allow for an

uninterrupted flow of traffic including quick movement of emergency vehicles on both sides of the Mococo rail line.

This list of projects, after approval from City Council, will be submitted to the San Joaquin Council of Governments for inclusion in the One Voice Trip to Washington for congressional funding.

Submittal of projects to the SJCOG's One Voice effort does not necessarily mean continued participation in the program. Other alternatives are currently under consideration to advocate for Tracy projects.

STRATEGIC PLAN

This agenda item is consistent with the Council's adopted Economic Development Strategy to ensure the availability of infrastructure necessary for development in Tracy.

FISCAL IMPACT

There is no fiscal impact to the General Fund. In addition to the requested congressional appropriations, funding of the above projects will be shared by a variety of sources including Measure K Sales Tax and development impact fees.

RECOMMENDATION:

That City Council approve the list of City of Tracy projects for the San Joaquin Council of Government's One Voice Trip to Washington D.C. for congressional funding appropriation.

Prepared by: Kuldeep Sharma, City Engineer

Approved by: Andrew Malik, Development Services Director
Leon Churchill, Jr., City Manager

RESOLUTION _____

APPROVING A LIST OF CITY OF TRACY PROJECTS FOR SAN JOAQUIN COUNCIL OF GOVERNMENT'S ONE VOICE TRIP TO WASHINGTON D.C., FOR CONGRESSIONAL FUNDING APPROPRIATION

WHEREAS, The City of Tracy submits a list of projects for consideration at the annual congressional funding appropriations during One Voice trip to Washington D.C., by San Joaquin County, Council of Governments, and cities elected officials, and

WHEREAS, Staff has reviewed the existing needs of various transportation projects and is recommending the following two projects for the One Voice trip:

- I-205/Lammers Road Interchange Improvements
Total Construction Cost - \$62 million
Requested appropriation - \$5 million
- New MacArthur Drive above grade crossing over UPRR Mococo line Total Construction Cost - \$28 million
Requested appropriation - \$5 million

WHEREAS, There is no fiscal impact to the General Fund. In addition to the requested congressional appropriations, funding of the above projects will be shared by a variety of sources including Measure K Sales Tax and development impact fees;

NOW, THEREFORE, BE IT RESOLVED, That City Council approves the list of City of Tracy projects for the San Joaquin Council of Government's One Voice Trip to Washington D.C. for congressional funding appropriation.

* * * * *

The foregoing Resolution 2011-___ was passed and adopted by the City of Tracy City Council on the 6th day of December, 2011 by the following vote:

AYES: COUNCIL MEMBERS
 NOES: COUNCIL MEMBERS
 ABSENT: COUNCIL MEMBERS
 ABSTAIN: COUNCIL MEMBERS

Mayor

ATTEST:

City Clerk

AGENDA ITEM 1.E

REQUEST

**APPROVAL OF A RESOLUTION AUTHORIZING ADOPTION OF A PLAN
RESTATEMENT FOR THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
(VALIC) 457 DEFERRED COMPENSATION PROGRAM**

EXECUTIVE SUMMARY

The action will update the City's deferred compensation plan with VALIC for the purposes of conforming the existing plan with legislative changes.

DISCUSSION

The City makes available a section 457 deferred compensation plan to employees. Employees may direct a portion of their pay to deferred compensation through this plan. One such plan is available through the Variable Annuity Life Insurance Company (VALIC). Due to a number of legislative changes, the City's VALIC plan must be restated to conform to these federal tax legislative changes. Governmental 457 plans must be amended to comply with these changes by December 31, 2011. The following is a list of some of the changes required under these new laws.

Heroes Earnings Assistance and Relief Tax Act of 2008 (the "HEART Act") – This act provides that an individual who is performing qualified military service for a period of more than 30 days is treated as having severed employment. As such they would be eligible to begin withdrawal of funds under the 457 plan.

The Small Business Jobs Act of 2010 (the "Jobs Act") – Allows the employer to elect to designate Roth contributions and in-plan Roth Conversions.

The Pension Protection Act of 2006 ("PPA") – Allows the employer to elect and eligible retired public safety officer to have up to \$3,000 from any Plan distribution paid directly to the provider of an accident or health insurance plan or a qualified long-term care contract.

In restating the plan the City will also elect to have individuals be able to procure a loan from their own 457 deferred amounts. The City or other participants do not have any liability for such loans.

STRATEGIC PLAN

This item is a routine item and does not relate to the City Council's seven strategic plans.

FISCAL IMPACT

There is no fiscal impact to the City as a result of this action. Employees participating in a 457 plan pay all administration fees of such plan.

RECOMMENDATION

It is recommended that the City Council, by resolution, adopt a restatement of the VALIC 457 deferred compensation plan.

Prepared by: Zane Johnston, Finance & Administrative Services Director

Approved by: R. Leon Churchill, Jr., City Manager

RESOLUTION _____

AUTHORIZING ADOPTION OF PLAN RESTATEMENT

WHEREAS, The City of Tracy (hereinafter, the "Employer") established the VALIC 457 Deferred Compensation Plan (hereinafter, the "Plan"), for the exclusive benefit of its employees and their beneficiaries;

NOW, THEREFORE, BE IT RESOLVED, That the Employer hereby amends and restates the Plan in the form of the Plan attached hereto; and,

BE IT FURTHER RESOLVED, That the appropriate officers of the Employer, or their delegates, are hereby authorized to execute the amendment and restatement of the Plan effective December 6, 2011.

* * * * *

The foregoing Resolution _____ was passed and adopted by the Tracy City Council on the _____ day of _____, 2011, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

Mayor

ATTEST:

City Clerk

SPECIMEN
SECTION 457(b) DEFERRED COMPENSATION PLAN
GOVERNMENTAL EMPLOYERS

This specimen plan document (which includes both an Adoption Agreement and a Basic Plan Document) is intended to meet the requirements of an eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, that is sponsored by a governmental employer, as defined thereunder. This document has not been approved by the Internal Revenue Service and is provided for consideration by the employer and its legal counsel. Modifications may be required depending on the specific facts and circumstances of the employer, including any applicable state or local laws, rules or regulations regarding deferred compensation or retirement benefits for governmental employees. VALIC cannot and does not provide legal or tax advice.

ADOPTION AGREEMENT
SECTION 457(b) DEFERRED COMPENSATION PLAN
(Governmental)

The undersigned employer hereby adopts or restates, as applicable, this Plan. This Plan shall comprise both (1) this Adoption Agreement and (2) the Basic Plan Document. Article and section references in this Adoption Agreement refer to articles and sections of the Basic Plan Document unless otherwise indicated.

Employer Name: _____

Employer Address: _____

Plan Name: _____

1. Plan Effective Date. ("Effective Date.") (Check one.)

- This Plan is being established by the Employer as a new Plan, effective _____, _____.
- This Plan amends and restates the Plan previously established by the Employer and is effective _____, _____. The Plan was originally established by the Employer effective _____, _____.

2. Eligible Employees. (Check one.)

- All Employees shall be eligible to participate.
- The Employer, in its sole discretion, shall determine each Plan Year which Employees shall be eligible to participate in the Plan.
- All Employees shall be eligible to participate except the following Employees (specify which Employees shall not be allowed to participate in the Plan):

3. Roth Contributions. (Check one.)

- Designated Roth Contributions are not permitted, and Section 4.10 shall not apply to this Plan.
- Participants may make Designated Roth Contributions (as described in Section 4.10) in lieu of or in addition to pre-tax Elective Deferral Contributions, effective _____, _____ (insert date not earlier than the later of January 1, 2011 or the date of the Employer's resolution adopting Designated Roth Contributions).

4. Employer Contributions. (Check one.) Note: Employer Contributions are combined with Elective Deferral Contributions and Designated Roth Contributions in applying the contribution limits described in Section 2.18.

- There shall be no Employer Contributions under this Plan.
- Discretionary Employer Contribution. The Employer may, in its absolute discretion, make an Employer Contribution to the Plan, and may determine, in its absolute discretion, how any such Employer Contribution shall be allocated among Plan Participants. This Discretionary Employer Contribution may be a matching or non-matching contribution.
- FICA Opt-out Contribution. As described in Section 4.11, the Employer shall make FICA Opt-out Contributions (contributions other than Elective Deferral Contributions or Designated Roth Contributions) on behalf of the following Employees in lieu of paying/withholding FICA taxes for such Employees and in the amounts indicated below (check applicable box and fill in blanks for required contribution percentages):
 - All Employees
 - Part-time, seasonal and temporary Employees only

- Other (indicate which Employees shall be eligible for the FICA Opt-out Contributions):

The required FICA Opt-out Contribution shall consist of the following types of contributions (which must total 7.5% or more of the Participant's Compensation):

- Employer Contribution = _____% of Compensation
- Mandatory Employee Contribution = _____% of Compensation
- Other: _____
- _____
- _____

5. Loans. (Check one.)

- Yes, loans are allowed and Article IX shall apply to this Plan.
- No, loans are not allowed and Article IX shall not apply to this Plan.

6. Unforeseeable Emergency Withdrawals. (Check one.)

- Yes. Withdrawals under Section 6.08 shall be available under this Plan. (Check one.)
- Withdrawals on account of an illness, accident or need to pay for the funeral expenses of the Participant's primary Beneficiary shall be available effective the later of (a) August 17, 2006, (b) the original effective date of the Plan or, if applicable, (c) _____, _____ (insert date that this option was first available, if such date was later than August 17, 2006).
- Withdrawals on account of an illness, accident or need to pay for funeral expenses of the Participant's primary Beneficiary shall not be available.
- No. Withdrawals under Section 6.08 shall not be available under this Plan.

7. Participant's Election to Receive In-Service Distribution. A Participant may elect to receive an in-service distribution of his account balance as described in Section 6.10. (Check one.)

- Yes, if the total amount payable to a Participant under the Plan does not exceed the dollar amount under Code Section 411(a)(11)(A) (currently \$5,000).
- No. Section 6.10 shall not apply to this Plan.

8. Distribution without Participant's Consent. Small accounts of certain inactive Participants may be distributed without the Participant's consent as described in Section 6.11. (Check one.)

- Yes, if the total amount payable to a Participant under the Plan does not exceed \$1,000. Such amount will be paid in cash to the Participant.
- No. Section 6.11 shall not apply to this Plan.

9. Distributions to Individuals in Uniformed Services. (Check one.)

- The Plan does not permit distributions to individuals who are deemed to have a Severance from Employment solely on account of their performing services in the uniformed services and Section 6.13 shall not apply to this Plan.
- Participants who are deemed to have a Severance from Employment on account of their performing services in the uniformed services for a period of 30 days or more may elect to receive a distribution of all or a portion of their Account (subject to the post-distribution restrictions described in Section 6.13).

10. In-plan Roth Conversions. (Check one.) (Note: Employer cannot allow in-plan Roth conversions unless it also elects to allow Designated Roth Contributions under Section 3, above, of this Adoption Agreement.)

- In-plan Roth conversions are not permitted, and Section 6.12 shall not apply to this Plan.
- Participants may convert certain pre-tax amounts to Roth contributions in an "in-plan" rollover/conversion described in Section 6.12, but only if such amounts are currently distributable under the terms of the Plan, effective _____, _____ (insert date not earlier than the later of January 1, 2011 or the date of the Employer's resolution adopting in-plan Roth conversions).

11. Deductions from Distributions to Eligible Retired Public Safety Officers. (Check one.)
- For distributions after December 31, 2006, an Eligible Retired Public Safety Officer may elect, pursuant to Section 6.14, to have up to \$3,000 of the distribution deducted and paid directly to the provider of an accident or health insurance plan or qualified long-term care insurance plan.
 - The Plan does not allow elections by Eligible Retired Public Safety Officers under Section 6.14.
12. Non-spousal Beneficiary Rollovers. As described in Section 8.03, non-spousal Beneficiary rollovers are allowed after December 31, 2006, unless elected otherwise below. (Note: Such distributions are required by law to be allowed after December 31, 2009.)
- Non-spousal Beneficiary rollovers are not allowed prior to January 1, 2010.
 - Non-spousal Beneficiary rollovers are allowed effective _____, _____ (insert date not earlier than January 1, 2007 and not later than December 31, 2009).
13. Required Minimum Distributions for 2009. (Check one of the boxes in each of subsections (a) and (b) below. If none of the boxes in a subsection is checked, the first option shall apply to the Plan.)
- (a) For purposes of 2009 required minimum distributions:
- This option reflects VALIC standard operations during 2009.** The provisions of Section 6.05(a) apply (Required Minimum Distributions continue in accordance with the terms of the Plan for Participants or Beneficiaries receiving installment payments unless such Participant or Beneficiary elects otherwise, whereas Required Minimum Distributions are suspended for all other Participants and Beneficiaries).
 - The provisions of Section 6.05(b) apply (Required Minimum Distributions continue in accordance with the terms of the Plan for all Participants and Beneficiaries, unless otherwise elected by a Participant or Beneficiary).
 - The provisions of Section 6.05(c) apply (Required Minimum Distributions continue in accordance with the terms of the Plan for all Participants and Beneficiaries, but only Participants or Beneficiaries receiving installment payments may elect otherwise).
 - Other: _____

 - Not applicable (Plan established as a new Plan after 2009). (Do not complete subsection (b) below.)
- (b) For purposes of Section 6.05(d), the Plan will treat the following as eligible rollover distributions in 2009:
- This option reflects VALIC standard operations during 2009.** A direct rollover option shall be offered only for distributions that would be eligible rollover distributions without regard to Code Section 401(a)(9)(H).
 - Eligible rollover distributions shall include 2009 Required Minimum Distributions and installment payments that include 2009 Required Minimum Distributions.
 - Eligible rollover distributions shall include 2009 Required Minimum Distributions, but only if paid with an additional amount that is an eligible rollover distribution without regard to Code Section 401(a)(9)(H).
14. Optional Benefit Accruals under HEART Act. (Check one.)
- The optional benefit accrual provisions described in Section 4.12 for individuals who die or become disabled while performing qualified military service shall not apply.
 - The optional benefit accrual provisions described in Section 4.12 for individuals who die or become disabled while performing qualified military service shall apply effective _____, _____ (insert date not earlier than first day of 2007 Plan Year).
15. Governing Law. This Plan shall be construed under the laws of the State/Commonwealth of _____ (insert State/Commonwealth). This Plan shall be subject to any applicable State, county or local deferred compensation rules and regulations.

The Employer hereby causes this Adoption Agreement to be executed by its duly authorized representative on the date specified below.

Employer (Please Print): _____

Employer's Signature: _____

Name (Please Print): _____

Title: _____ Date: _____

PARTICIPATION AGREEMENT
SECTION 457(b) DEFERRED COMPENSATION PLAN
(Governmental)

Complete this page *only if* more than one Employer will adopt this Section 457(b) Deferred Compensation Plan. Each Participating Employer must execute a separate Participation Agreement.

Check here if not applicable and do not complete this page.

The undersigned governmental entity, by executing this Participation Agreement, elects to become a Participating Employer in the Section 457(b) eligible deferred compensation plan identified in the accompanying Adoption Agreement and below (the "Plan"), as if the Participating Employer were a signatory to the Adoption Agreement for the Plan. The Participating Employer accepts, and agrees to be bound by, all of the elections made by the signatory Employer in the Adoption Agreement for the Plan, except as otherwise provided in this Participation Agreement.

1. EFFECTIVE DATE. (Note: The Effective Date of the Participating Employer's adoption of the Plan cannot be earlier than the original effective date of the Plan, as adopted by the signatory Employer. If the Participating Employer is adopting the Plan as a restatement of an existing governmental Section 457(b) plan of the Participating Employer, the Effective Date of the Participating Employer's adoption of the Plan must not be earlier than the later of (i) the original effective date of the Participating Employer's existing Section 457(b) plan, (ii) the effective date of the most recent restatement of the Plan by the signatory Employer, or (iii) the first day of the Plan Year that includes the date the Participation Agreement is executed.)

The Effective Date of the Participating Employer's adoption of the Plan is: _____, _____.

2. NEW PLAN/RESTATEMENT. The Participating Employer's adoption of this Plan constitutes: (Check one.)

- The adoption of a new governmental Section 457(b) plan by the Participating Employer.
- An amendment and restatement of a governmental Section 457(b) plan currently maintained by the Participating Employer identified as the _____ and having an original effective date of _____, _____.

The Participating Employer hereby causes this Participation Agreement to be executed by its duly authorized representative on the date specified below.

Plan Name (Please Print): _____

Participating Employer Name (Please Print): _____

Participating Employer's Signature: _____

Name (Please Print): _____

Title: _____ Date: _____

Acceptance by the Signatory Employer of the Adoption Agreement.

Signatory Employer Name (Please Print): _____

Signatory Employer's Signature: _____

Name (Please Print): _____

Title: _____ Date: _____

BASIC PLAN DOCUMENT
SECTION 457 (b) DEFERRED COMPENSATION PLAN
(Governmental)

ARTICLE I. INTRODUCTION

This Plan is intended to be an eligible deferred compensation plan under Section 457 of the Internal Revenue Code of 1986, as amended. The primary purpose of this Plan is to attract and retain qualified personnel by permitting them to provide for benefits in the event of their retirement or death. Nothing contained in this Plan shall be deemed to constitute an employment agreement between any Participant and the Employer and nothing contained herein shall be deemed to give any Participant any right to be retained in the employ of the Employer.

ARTICLE II. DEFINITIONS

- 2.01 Account: The account maintained for each Participant reflecting the cumulative amount of each Participant's Deferred Compensation, including any income, gains, losses, or increases or decreases in market value attributable to the investment of the Participant's Deferred Compensation, and further reflecting any distributions to the Participant or the Beneficiary and any fees or expenses charged against the Participant's Deferred Compensation.
- 2.02 Adoption Agreement: The separate agreement which is executed by the Employer and sets forth the elective provisions of this Plan as specified by the Employer.
- 2.03 Annuity Contract: If selected by the Employer as an investment option, one or more group fixed, variable or combination fixed and variable annuity contracts issued by The Variable Annuity Life Insurance Company (VALIC) and approved for sale in the Employer's state, or by another insurance company qualified to do business in the Employer's state, which provide for periodic payments at regular intervals, whether for a period certain or during one or more lives, and which are non-transferable.
- 2.04 Beneficiary or Beneficiaries: The person or persons designated by the Participant in his Deferred Compensation Agreement who shall receive any benefits payable hereunder in the event of the Participant's death. If more than one designated Beneficiary survives the Participant, payments shall be made equally to the surviving Beneficiaries, unless otherwise provided in the Deferred Compensation Agreement. If no Beneficiary is designated in the Deferred Compensation Agreement or if no designated Beneficiary survives the Participant, then the estate of the Participant shall be the Beneficiary. However, a Participant may designate a contingent Beneficiary (or Beneficiaries) who shall become the primary Beneficiary (or Beneficiaries) under this Plan in the event that no primary Beneficiary survives the Participant.
- 2.05 Code: The Internal Revenue Code of 1986, as amended, and regulations thereunder.
- 2.06 Compensation: The amount of compensation that would be payable to a Participant by the Employer if no Deferred Compensation Agreement were in effect to defer compensation under this Plan. The term Compensation includes amounts that are excludable from an Employee's gross income and that are contributed by the Employer at the Employee's election to a cafeteria plan, qualified transportation fringe benefit plan, a Section 401(k) arrangement, a SARSEP, a Section 403(b) arrangement, a SIMPLE plan or another Section 457(b) plan of the Employer. For years beginning after 2008, Compensation shall include "differential wage payments," as that term is defined in Section 2.17 (Includible Compensation).
- 2.07 Deferred Compensation: The amount of Compensation otherwise payable to the Participant that the Participant elects to defer hereunder (as either pre-tax Elective Deferral Contributions or after-tax Designated Roth Contributions), any amount credited to a Participant's Account by reason of a transfer under Section 8.01, or any other amount that the Employer agrees to credit to a Participant's Account (as an Employer Contribution) and that does not exceed the Maximum Limitation.
- 2.08 Deferred Compensation Agreement: An agreement entered into between a Participant and the Employer and any amendments or modifications thereof, which agreement shall fix the amount of pre-tax Elective Deferral and/or after-tax Designated Roth Contributions, if applicable, that the Participant elects to defer; specify the Participant's investment selection with respect to his Deferred Compensation; designate the Participant's Beneficiary or Beneficiaries; and incorporate the terms, conditions, and provisions of this Plan by reference.
- 2.09 Designated Roth Contribution: The amount of a Participant's Compensation that he elects to defer to the Plan (as Deferred Compensation) on an after-tax basis.

- 2.10 Elective Deferral Contribution: The amount of a Participant's Compensation that he elects to defer to the Plan (as Deferred Compensation) on a pre-tax basis.
- 2.11 Eligible Retirement Plan: A plan described in Code Section 402(c)(8)(B) to which an Eligible Rollover Distribution may be transferred pursuant to Code Section 457(e)(16).
- 2.12 Eligible Rollover Distribution: A qualifying distribution to a Participant, or to a spousal Beneficiary of a deceased Participant, that is described in Code Section 402(c)(4).
- 2.13 Employee: Any individual, whether appointed, elected or under contract, providing services for the Employer for which compensation is paid. For years beginning after December 31, 2008, the term Employee also includes an individual receiving "differential wage payments," as that term is defined in Section 2.17 (Includible Compensation), from the Employer.
- 2.14 Eligible Employee: An Employee who, based on the Employer's elections in the Adoption Agreement, is eligible to participate in the Plan.
- 2.15 Employer: The entity identified in the Adoption Agreement, which entity is a State, political subdivision of a State, or an agency or instrumentality of a State or political subdivision of a State.
- 2.16 Employer Contribution: The amount (if any) that the Employer contributes to the Plan (as Deferred Compensation) that does not reduce (on a pre-tax or an after-tax basis) the Participant's Compensation for the Plan Year.
- 2.17 Includible Compensation: For a taxable year, the Participant's compensation, as defined in Code Section 415(c)(3), for services performed for the Employer. For years beginning after 2008, Includible Compensation shall include "differential wage payments," as defined in Code Section 3401(h)(2) (a payment by the Employer to an individual with respect to any period during which the individual is performing service in the uniformed services while on active duty for a period of more than 30 days, and which payment represents all or a portion of the wages the individual would have received from the Employer if the individual were performing service for the Employer). The amount of Includible Compensation shall be determined without regard to any community property laws.
- 2.18 Maximum Limitation: The maximum amount that may be deferred under this Plan (other than rollover amounts described in Section 8.02) for the taxable year of a Participant. Such amount shall be either the Normal Limitation or Catch-Up Limitation, whichever is applicable.
- (a) Normal Limitation: The maximum amount deferred shall not exceed the lesser of the Applicable Dollar Amount (as described in Section 2.18(c) below) or 100% of the Participant's Includible Compensation, as adjusted by Section 2.18(d) below. Notwithstanding the preceding provisions of this paragraph, for calendar years prior to 2002, the maximum amount deferred shall not exceed such limit or limits in effect for the applicable year pursuant to Code Section 457.
- (b) Catch-Up Limitation: For each one of the last three (3) taxable years of a Participant ending before the Participant's attainment of Normal Retirement Age, the maximum amount deferred for each such year shall be the lesser of:
- (1) twice the Applicable Dollar Amount (as described in Section 2.18(c) below); or
 - (2) the sum of the Normal Limitation, plus that portion of the Normal Limitation not used in each of the prior taxable years of the Participant commencing after 1978 in which (i) the Participant was eligible to participate in this Plan or another eligible plan of the Employer, and (ii) compensation deferred under this Plan (or such other plan) was subject to the deferral limitations set forth in this section.
- A Participant may utilize the Catch-Up Limitation only if the Participant has not previously utilized it with respect to a different Normal Retirement Age under this Plan or any other plan.
- For years prior to 2002, the limit under this paragraph (b) for any year shall not exceed \$15,000.
- (c) Applicable Dollar Amount: For contributions in 2006 and subsequent years, the Applicable Dollar Amount shall be \$15,000 as adjusted for cost-of-living increases in accordance with Code Section 457(e)(15). The Applicable Dollar Amount for the 2011 calendar year is \$16,500 and for the 2012 calendar year is \$17,000.
- (d) Coordination with Other Plans: For contribution years prior to 2002, the amount excludible from a Participant's gross income for any taxable year under this Plan or any other plan under Code Section 457(b) shall not exceed \$7,500 (as adjusted for cost-of-living increases in accordance with Code Section 457(e)(15)) or such greater amount allowed under paragraph (b) of this section, less any amount excluded from gross income under Code Section 403(b), 402(e)(3), or 402(h)(1)(B) or (k), or any amount with respect to which a deduction is allowable by reason of a contribution to an organization under Code Section 501(c)(18).

- (e) Age-Based Catch-Up Contributions: In addition to any other limit set forth in this section, a Participant who will attain age 50 in the calendar year may contribute an additional \$5,000 as adjusted for cost-of-living increases in accordance with Code Section 414(v)(2)(C). The Age-Based Catch-Up limitation for the 2011 and 2012 calendar years is \$5,500.
- (f) Coordination of Catch-Up Contributions: A Participant may not utilize both the Catch-Up Limitation and the Age-Based Catch-Up Contribution in the same year. The Age-Based Catch-Up Contribution shall not apply for any taxable year for which a higher Catch-Up Limitation applies.
- (g) Excess Deferrals: Any amount deferred in excess of the Maximum Limitation or Age-Based Catch-Up Contribution shall be distributed to the Participant, with allocable net income, as soon as administratively practicable after the Plan determines that the amount is an excess deferral. An excess deferral as a result of a failure to comply with the individual limitation under Treas. Reg. Section 1.457-5 for a taxable year may be distributed to the Participant, with allocable net income, as soon as administratively practicable after the Plan determines that the amount is an excess deferral.
- 2.19 Normal Retirement Age: The age that determines the period during which a Participant may utilize the Catch-Up Limitation of Section 2.18(b) hereunder. A Participant's Normal Retirement Age shall be age 70½, unless the Participant has elected an alternative Normal Retirement Age by written instrument delivered to the Employer prior to Severance from Employment.
- A Participant's alternative Normal Retirement Age may not be earlier than the earliest date that the Participant shall become eligible to retire and receive unreduced retirement benefits under the Employer's defined benefit plan or money purchase plan covering that Participant and may not be later than the calendar year in which the Participant attains age 70½. If the Participant will not be eligible to receive benefits under a defined benefit plan or money purchase plan maintained by the Employer, the Participant's Normal Retirement Age may not be earlier than attainment of age 65 and may not be later than the calendar year in which the Participant attains age 70½.
- If the Participant is a qualified police officer or firefighter as defined under Code Section 415(b)(2)(H)(ii)(I), then such qualified police officer or firefighter may designate an alternative Normal Retirement Age that is between age 40 and age 70½.
- Once a Participant has to any extent utilized the Catch-Up Limitation of Section 2.18(b), his Normal Retirement Age may not be changed.
- 2.20 Participant: Any Eligible Employee who has enrolled in this Plan pursuant to the requirements of Article V or who has previously deferred compensation under this Plan and who has not received a distribution of his entire benefit under the Plan.
- 2.21 Plan Year: The 12-month period commencing each January 1st and ending on the following December 31st.
- 2.22 Severance from Employment: Termination of the Participant's employment relationship with the Employer. For years after 2008, solely for purposes of the withdrawal restrictions of Code Section 457(d)(1)(A), an individual shall be treated as having been severed from employment during any period the individual is performing service in the uniformed services, as described in Code Section 3401(h)(2)(A). For years prior to 2002, references in this Plan to Severance from Employment shall mean severance of the Participant's employment with the Employer, within the meaning of Code Section 402(e)(4)(D)(i)(III), rather than termination of the Participant's employment relationship with the Employer.
- 2.23 Service Provider: The Variable Annuity Life Insurance Company (VALIC), VALIC Retirement Services Company or such other entity as the Employer designates to perform administrative services under this Plan.

ARTICLE III. ADMINISTRATION

- 3.01 Plan Administrator. This Plan shall be administered by the Employer or one or more persons designated by the Employer. The Plan Administrator, if other than the Employer, shall act as the agent of the Employer in all matters concerning the administration of this Plan. The Plan Administrator shall have full power to adopt, amend, and revoke such rules and regulations consistent with and as may be necessary to implement, operate and maintain this Plan, to enter into contracts on behalf of the Employer under this Plan, and to make discretionary decisions affecting the rights or benefits of Participants under Section 6.08 of this Plan.
- 3.02 Employee with Administrative Responsibilities. Any Employee who is charged with administrative responsibilities hereunder may participate in the Plan under the same terms and conditions as apply to other Employees. However, he

shall not have the power to participate in any discretionary action taken with respect to his participation under Section 6.08 of this Plan.

- 3.03 Administrative Services. The Employer may enter into an agreement with a Service Provider to provide nondiscretionary administrative services under this Plan for the convenience of the Employer, including, but not limited to, the enrollment of Employees as Participants, the maintenance of Accounts and other records, the making of periodic reports to Participants, and the disbursement of benefits to Participants.

ARTICLE IV. PARTICIPATION IN THE PLAN

- 4.01 Participant. An Eligible Employee becomes a Participant when he has executed and entered into a Deferred Compensation Agreement with the Employer. An Eligible Employee is not precluded from becoming a Participant by reason of having received a pre-1997 cash-out distribution (upon separation from service) of \$3,500 or less from a Code Section 457(b) plan.
- 4.02 Enrollment in the Plan. An Eligible Employee may elect to defer Compensation for a calendar month by entering into a Deferred Compensation Agreement before the first day of the month in which the Compensation is paid or made available. A new Eligible Employee may defer Compensation payable in the calendar month which includes the first day of employment by entering into a Deferred Compensation Agreement on or before the first day of employment.
- 4.03 Minimum Deferral Amount. At the time of entering into or amending a Deferred Compensation Agreement hereunder, an Eligible Employee or Participant must agree to defer a minimum periodic amount as specified by the Plan Administrator.
- 4.04 Change in Amount of Deferred Compensation or Beneficiary. A Participant may not amend or modify an executed Deferred Compensation Agreement to change the amount of Deferred Compensation except with respect to compensation to be earned in the subsequent calendar month and provided that notice is given prior to the beginning of the month for which such change is to be effective. The Employer may suspend a Participant's Elective Deferral Contributions and/or Designated Roth Contributions for up to 6 months in the event a Participant takes a hardship distribution from the Employer's Section 401(k) plan or Section 403(b) arrangement if required under the terms of such plan or arrangement. A Participant may change the Beneficiary designated in his Deferred Compensation Agreement at any time by giving written notice to the Plan Administrator.
- 4.05 Revocation of Deferred Compensation Agreement. A Participant may revoke his Deferred Compensation Agreement and his Compensation shall be restored in the subsequent calendar month, by giving notice to the Employer prior to the beginning of the month for which such revocation is to be effective.
- 4.06 New Deferred Compensation Agreement Upon Return to Service or After Revocation. A Participant who returns to active service with the Employer after a Severance from Employment, or who has revoked his Deferred Compensation Agreement under Section 4.05, may again become an active Participant by executing a new Deferred Compensation Agreement with the Employer prior to the beginning of the calendar month for which it is to be effective.
- 4.07 Leave of Absence; Other Absences. Compensation may continue to be deferred under this Plan with respect to a Participant who is on an approved leave of absence from the Employer with Compensation, and all of the rules of this Article shall apply with respect to making, amending or revoking any Deferred Compensation Agreement for such a Participant.
- 4.08 Deferrals of Sick, Vacation, and Back Pay. Subject to approval of the Employer, an Eligible Employee or Participant who has not had a Severance from Employment may elect to defer accumulated sick pay, accumulated vacation pay, and back pay under this Plan in accordance with the requirements of Code Section 457(b). These amounts may be deferred for any calendar month only if an agreement providing for the deferral is entered into before the beginning of the month in which the amounts would otherwise be paid or made available and the Participant is an Employee on the date the amounts would otherwise be paid or made available.
- 4.09 Deferrals of Amounts Paid After Severance from Employment. Subject to the approval of the Employer:
- (a) An Eligible Employee or Participant may elect to defer certain amounts that are paid after Severance from Employment, but only if such amounts are
 - (1) paid by the later of 2½ months after Severance from Employment or the end of the calendar year that includes the date of Severance from Employment, and
 - (2) one of the following types of compensation:

- (i) regular compensation for services rendered by the Eligible Employee or Participant (including base pay, overtime, shift differential, commission, bonus or other similar pay), so long as these amounts would have been paid to the Eligible Employee or Participant prior to termination of employment if the Eligible Employee or Participant had not had a Severance from Employment; or
 - (ii) payments for accrued but unused sick, vacation or other leave, but only if the Eligible Employee or Participant would have been able to use such leave if employment had continued.
- (b) An Eligible Employee or Participant may also elect to defer amounts paid to the Eligible Employee or Participant during periods when the Eligible Employee or Participant is not performing services for the Employer by reason of qualified military service (as that term is used in Code Section 414(u)(1)), but only to the extent those payments do not exceed the amount the Eligible Employee or Participant would have received if the Eligible Employee or Participant had continued to perform services for the Employer rather than entering qualified military service.
- (c) An Eligible Employee or Participant may also elect to defer amounts paid to the Eligible Employee or Participant during a period when the Eligible Employee or Participant is not performing services for the Employer because the Eligible Employee or Participant is permanently and totally disabled (as that term is defined in Code Section 22(e)(3)), so long as either:
- (1) the Eligible Employee or Participant was not a highly compensated employee (as defined in Code Section 414(q)) immediately before becoming permanently and totally disabled, or
 - (2) the plan under which the disability payments are made provides for payments to all Eligible Employees or Participants who are permanently and totally disabled for a fixed or determined period.

4.10 Designated Roth Contributions. If elected by the Employer in the Adoption Agreement, the Participant may designate that all or a portion of his/her elective contributions to the Plan be treated as after-tax Roth contributions (referred to herein as "Designated Roth Contributions"). Such designation must be made before the date upon which the amounts designated would otherwise have been payable to the Participant (but for the election to defer), and such designation must be irrevocable on and after that date. Designated Roth Contributions (and the earnings thereon) shall be accounted for separately from all other contributions to the Plan (including rollovers of Roth contributions from other plans and in-plan Roth conversions) and the earnings on those contributions. If a Participant takes a distribution of less than 100% of his Account (including an In-Service Distribution or an Unforeseeable Emergency Withdrawal), the Participant may designate whether such distribution shall be made from the Participant's pre-tax Elective Deferral Contributions or after-tax Designated Roth Contributions.

4.11 Employer Contributions. If elected by the Employer in the Adoption Agreement, the Employer may/shall make contributions (that are not part of the Participant's Compensation) to the Plan as additional Deferred Compensation. Employer contributions may, but need not, be accounted for separately from Employee pre-tax Elective Deferral Contributions, but shall be accounted for separately from Designated Roth Contributions, amounts converted to Roth contributions through an in-plan Roth conversion, and rollover contributions (whether from a non-Roth account or a designated Roth account). If the Employer elects in the Adoption Agreement to make contributions in lieu of withholding/paying FICA taxes (hereinafter referred to as "FICA Opt-out Contributions") for some or all Participants for a given pay period, such contributions must total at least 7.5% of the Participant's Compensation for the pay period, and must be 100% vested at all times. If the Employer requires Participants to make mandatory salary reduction (*i.e.*, pre-tax) contributions to the Plan as a condition of employment (hereinafter referred to as "Employee Mandatory Contributions"), such contributions shall be treated as Employer Contributions for all purposes under this Plan (including the 7.5% of Compensation requirement for FICA Opt-out Contributions).

4.12 Compliance with HEART Act. In the case of a death occurring on or after January 1, 2007, if a Participant dies while performing qualified military service (as defined in Code Section 414(u)), the Participant's Beneficiary is entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service), if any, provided under the Plan as if the Participant had resumed employment and then terminated employment on account of death. If (and only if) the Employer elects in the Adoption Agreement, then effective as of the date elected in the Adoption Agreement, the Plan shall treat an individual who dies or becomes disabled (as defined in Code Section 72(m)(7)) while performing qualified military service with respect to the Employer as if the individual had resumed employment in accordance with the individual's reemployment rights under USERRA, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. The Plan will determine the amount of Elective Deferral Contributions (or Designated Roth Contributions) of an individual treated as employed under this section for purposes of applying Code Section 414(u)(8)(C) on the basis of the individual's average actual Elective Deferral Contributions (or Designated Roth Contributions) for the lesser of (i) the 12-month period of service

with the Employer immediately prior to the qualified military service or (ii) the actual length of continuous service with the Employer.

ARTICLE V. INVESTMENT OF DEFERRED COMPENSATION

- 5.01 Annuity Contracts and Other Plan Investments. For the purposes of satisfying its obligation to provide benefits under this Plan, the Employer shall invest the amount of compensation deferred by each Participant in Annuity Contracts and other Plan investments as specified in the Participants' Deferred Compensation Agreements. Amounts deferred under this Plan must be transferred to a trust, custodial account or annuity contract described in Section 5.02 within a period that is not longer than is reasonable for the proper administration of the Participant Accounts. Responsibility for the selection of investment alternatives for Plan assets shall be retained by the Employer, and the Employer shall have the right to modify the selection of investment alternatives from time to time. However, Participants and Beneficiaries may allocate amounts held in their Accounts or otherwise credited for their benefit under the Plan among the investment alternatives selected by the Employer, and the Employer shall cause such amounts to be so allocated within a reasonable time after the receipt of Participant instructions, or may instruct the issuer, trustee, or custodian to accept such allocation instructions directly from Participants and Beneficiaries as representatives of the Employer.
- 5.02 Exclusive Benefit. Notwithstanding any provision of the Plan to the contrary, all amounts held under the Plan, including amounts deferred and earnings or other accumulations attributable thereto, shall be held for the exclusive benefit of Plan Participants and Beneficiaries (i) in annuity contracts or (ii) in trust or in one or more custodial accounts pursuant to one or more separate written instruments. Any such annuity contract, trust, or custodial account must satisfy the requirements of Code Section 457(g)(1). The annuity contract, trust or custodial account must make it impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the annuity contract, trust or custodial account to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries. For purposes of this section, the terms Participant and Beneficiary shall also include contingent beneficiaries and/or spouses, former spouses, or children of Participants for whose benefit amounts are being held under the Plan pursuant to the terms of a domestic relations order which has been recognized under the terms of the Plan. Any discretionary authority reserved to the Employer (or to any administrator or administrative committee) under the Plan or under any investment held under the Plan, to the extent the exercise thereof would otherwise be inconsistent with this section, shall be exercised for the exclusive benefit of Plan Participants and Beneficiaries. Any issuer of an annuity contract or trustee or custodian of other investments held under the Plan shall have no authority to pay any amounts from such Plan investments to any creditor of the Employer, and shall have no duty to inquire into the validity of any request by the Employer or by an administrator or administrative committee for distribution of amounts for the benefit of a Participant or a Beneficiary under the Plan.
- 5.03 Benefits Based on Participant's Account Value. The benefits paid to a Participant or Beneficiary pursuant to Article VI of this Plan shall be based upon the value of the Participant's Account. In no event shall the Employer's liability to pay benefits exceed the value of the Participant's Account, and the Employer shall not be liable for losses arising from depreciation or other decline in the value of any investments acquired under this Plan.
- 5.04 Periodic Reports. Each Participant shall receive periodic reports, not less frequently than annually, showing the then-current value of his Account.
- 5.05 Employer-Directed Accounts. Notwithstanding any provision of the Plan to the contrary, the Employer shall direct the issuer, trustee or custodian with respect to the investment of any contributions that are forwarded to the issuer, trustee or custodian prior to the date on which the Participant or Beneficiary completes the necessary paperwork with the issuer, trustee or custodian (or takes such other action or actions as may be necessary) to direct the investment of such amounts. This direction shall be effective only until such time as the Participant or Beneficiary exercises his right to direct the investment of such amounts in accordance with the terms of the Plan.

ARTICLE VI. BENEFITS

- 6.01 Distribution of Benefits. Except as otherwise provided in this Article, a Participant's Account shall become distributable upon a Participant's attainment of age 70½ or Severance from Employment. If the Participant has had a Severance from Employment, the distribution of a Participant's Account shall commence no later than April 1st of the calendar year following the year of the Participant's attainment of age 70½. Distributions shall be made in accordance with one of the payment options described in Section 6.03.
- 6.02 Distribution Procedures. The Employer may from time to time establish procedures for Participant distribution elections, provided that such procedures are not inconsistent with the requirements of Section 6.01.

6.03 Payment Options. A Participant (or a Beneficiary as provided in Sections 6.06 or 6.07) may elect to have the value of the Participant's Account distributed in accordance with one of the following payment options provided that such option is available under the investment and consistent with the requirements set forth in Section 6.04:

- (a) life annuity;
- (b) life annuity with 60, 120, or 180 monthly payments guaranteed;
- (c) unit refund life annuity;
- (d) joint and last survivor annuity (spouse only);
- (e) lump sum;
- (f) term certain annuity with 36, 48, 60, 72, 84, 96, 108, 120, 132, 144, 156, 168 or 180 monthly payments guaranteed;
- (g) withdrawals for a specified number of years;
- (h) withdrawals of a specified amount; or
- (i) any other method of payment agreed upon between Participant and Employer and accepted by the investment provider or Service Provider.

If a Participant fails to elect a payment option, any required payments shall be made under a payment option designated by the Employer.

Notwithstanding the options above, any option that involves a life contingency (or a joint life contingency) shall only be available under an Annuity Contract offered or obtained under the terms of the Plan.

6.04 Required Minimum Distributions.

- (a) No payment option may be selected by the Participant (or a Beneficiary) unless it satisfies the requirements of Code Section 401(a)(9) and any additional Code limitations applicable to the Plan. The provisions of this section shall apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year. The requirements of this section shall take precedence over any inconsistent provisions of the Plan. All distributions required under this section shall be determined and made in accordance with the regulations under Code Section 401(a)(9). Notwithstanding the other provisions of this section, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.
- (b) The Participant's entire interest shall be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date. If the Participant dies before distributions begin, the Participant's entire interest shall be distributed, or begin to be distributed, no later than as follows:
 - (1) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, then unless the surviving spouse elects to apply the 5-year rule (pursuant to subsection (f), below), distributions to the surviving spouse shall begin by December 31st of the calendar year immediately following the calendar year in which the Participant died, or by December 31st of the calendar year in which the Participant would have attained age 70½, if later.
 - (2) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, then unless the designated Beneficiary elects to apply the 5-year rule (pursuant to subsection (f), below), distributions to the designated Beneficiary shall begin by December 31st of the calendar year immediately following the calendar year in which the Participant died.
 - (3) If there is no designated Beneficiary as of September 30th of the year following the year of the Participant's death, the Participant's entire interest shall be distributed by December 31st of the calendar year containing the fifth anniversary of the Participant's death.
 - (4) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this subsection (b), other than paragraph (b)(1), shall apply as if the surviving spouse were the Participant.

For purposes of this subsection (b) and subsection (d), unless paragraph (b)(4) applies, distributions are considered to begin on the Participant's required beginning date. If paragraph (b)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under paragraph

(b)(1). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under paragraph (b)(1)), the date distributions are considered to begin is the date distributions actually commence.

Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions shall be made in accordance with subsections(c) and (d) of this section. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder shall be made in accordance with the requirements of Code Section 401(a)(9).

- (c) During the Participant's lifetime, the minimum amount that shall be distributed for each distribution calendar year is the lesser of:
- (1) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or
 - (2) if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

Required minimum distributions shall be determined under this subsection (c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

- (d) (1) If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:
- (a) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
 - (b) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.
 - (c) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.
- (2) If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30th of the year after the year of the Participant's death, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.
- (3) Except as otherwise elected (pursuant to subsection (f), below), if the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that shall be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in paragraphs (1) and (2), above.
- (4) If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30th of the year following the year of the Participant's death, distribution of the Participant's entire interest shall be completed by December 31st of the calendar year containing the fifth anniversary of the Participant's death.

- (5) If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under paragraph (b)(1), this subsection (d) shall apply as if the surviving spouse were the Participant.
- (e) Definitions.
- (1) "Designated Beneficiary" means the individual who is designated as the Beneficiary under Section 2.04 of the Plan and is the designated Beneficiary under Code Section 401(a)(9) and Section 1.401(a)(9)-1, Q&A-4, of the regulations.
- (2) "Distribution calendar year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year that contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under subsection (b). The required minimum distribution for the Participant's first distribution calendar year shall be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, shall be made on or before December 31st of that distribution calendar year.
- (3) "Life expectancy" means life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the regulations.
- (4) "Participant's account balance" means the account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.
- (5) "Required beginning date" means April 1st of the calendar year following the later of:
- (a) the calendar year in which the Participant attains age 70½; or
 - (b) the calendar year in which the Participant retires.
- (f) Participants or Beneficiaries may elect, on an individual basis, whether the 5-year rule or the life expectancy rule in subsections (b) and (d) applies to distributions after the death of a Participant who has a designated Beneficiary. The election must be made no later than the earlier of September 30th of the calendar year in which distribution would be required to begin under subsection (b), or by September 30th of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, the surviving spouse's) death. If neither the Participant nor the Beneficiary makes an election under this paragraph, distributions shall be made in accordance with subsections (b) and (d).

6.05 2009 Required Minimum Distributions ("RMDs").

- (a) Continuation of RMDs for Participants Receiving Installment Payments Unless Otherwise Elected by the Participant; Suspension of RMDs for All Other Participants. This paragraph applies if elected by the Employer in the Adoption Agreement or if no election is made by the Employer in the Adoption Agreement. Notwithstanding the provisions of Code Section 401(a)(9)(H), a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) ("2009 RMDs"), and who would have satisfied that requirement by receiving distributions that are one or more payments in a series of installments (that include 2009 RMDs), will continue to receive those distributions for 2009 unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect not to receive the distributions that include 2009 RMDs. For all other Participants and Beneficiaries, the requirement to receive the 2009 RMD shall be suspended in accordance with Code Section 401(a)(9)(H).
- (b) Continuation of RMDs for All Participants Unless Otherwise Elected by the Participant. This paragraph applies if elected by the Employer in the Adoption Agreement. Notwithstanding the provisions of Code Section 401(a)(9)(H), a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) ("2009 RMDs"), and who would have satisfied that

requirement by receiving distributions that are either (1) equal to the 2009 RMDs or (2) one or more payments in a series of installments (that include 2009 RMDs), will receive those distributions for 2009 unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distributions described in the preceding sentence.

- (c) Continuation of RMDs for All Participants Unless Otherwise Elected by Participants Receiving Installment Distributions. This paragraph applies if elected by the Employer in the Adoption Agreement. Notwithstanding the provisions of Code Section 401(a)(9)(H), a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the enactment of Code Section 401(a)(9)(H) (“2009 RMDs”), and who would have satisfied that requirement by receiving distributions that are either (1) equal to the 2009 RMDs or (2) one or more payments in a series of installments (that include the 2009 RMDs), will receive those distributions for 2009. However, Participants and Beneficiaries receiving installments will be given the opportunity to elect not to receive the distributions that include 2009 RMDs.
 - (d) Direct Rollovers. Notwithstanding the provisions of the Plan relating to required minimum distributions under Code Section 401(a)(9), and solely for purposes of applying the direct rollover provisions of the Plan, certain additional distributions in 2009, as elected by the Employer in the Adoption Agreement, will be treated as eligible rollover distributions. If no election is made by the Employer in the Adoption Agreement, then a direct rollover will be offered only for distributions that would be eligible rollover distributions without regard to Code Section 401(a)(9)(H).
- 6.06 Post-Retirement Death Benefits. Should the Participant die after he has begun to receive benefits under an annuity payment option, the guaranteed or remaining payments, if any, under the annuity payment option shall be payable to the Participant’s Beneficiary commencing with the first payment due after the death of the Participant. If the Beneficiary does not continue to live for the remaining period of payments under the annuity payment option, then the remaining benefits under the annuity payment option shall be paid to the Beneficiary’s beneficiary or, if none, the Beneficiary’s estate. Should the Participant die after he has begun to receive benefits under any other payment option, a death benefit equal to the value of the Participant’s Account shall be payable to the Beneficiary. Such death benefit shall be paid in a lump sum unless the Beneficiary elects a different payment option. Should the Beneficiary die before the completion of payments under an annuity payment option or before distribution of the entire Participant Account, then the value of the remaining payments under the annuity payment option, or the value of the Participant Account in a lump sum, respectively, shall be paid to the Beneficiary’s beneficiary or, if none, the Beneficiary’s estate. Payment to the Participant’s Beneficiary under this section must comply with Code Section 401(a)(9), and with any additional Code limitations applicable to the Plan. In no event shall the Employer be liable for any payments made in the name of the Participant or a Beneficiary before the Employer or its agent receives proof of the death of the Participant or Beneficiary.
- 6.07 Pre-Retirement Death Benefits. Should the Participant die before he has begun to receive benefits under Section 6.01, a death benefit equal to the value of the Participant’s Account shall be payable to the Beneficiary. Such death benefit shall be paid in a lump sum unless the Beneficiary elects a different payment option. Payment to the Participant’s Beneficiary must comply with Code Section 401(a)(9), and with any additional Code limitations applicable to the Plan. Should the Beneficiary die before the completion of payments under an annuity payment option or before distribution of the entire Participant Account, the value of the remaining payments under the annuity payment option, or the value of the Participant Account in a lump sum, shall be paid to the Beneficiary’s beneficiary or, if none, the Beneficiary’s estate.
- 6.08 Unforeseeable Emergency Withdrawals. If the Employer so elects in the Adoption Agreement, then in the event of an unforeseeable emergency, a Participant may apply to the Employer to receive that part of the value of his Account that is reasonably needed to satisfy the emergency need (including any amounts that may be necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution). If such application for withdrawal is approved by the Employer, the Employer shall direct the issuer, trustee or custodian to pay the Participant such value as the Employer deems necessary to meet the emergency need.

The regulations under Section 457(d)(1)(A)(iii) of the Code define an unforeseeable emergency as a severe financial hardship of the Participant or Beneficiary resulting from an illness or accident of the Participant or Beneficiary, the Participant’s or Beneficiary’s spouse, or the Participant’s or Beneficiary’s dependent (as defined in Code Section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant’s or Beneficiary’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner’s insurance, e.g., as a result of a natural

disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or Beneficiary. For example, the imminent foreclosure of or eviction from the Participant's or Beneficiary's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency. Finally, the need to pay for the funeral expenses of a spouse or a dependent (as defined in Code Section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant or Beneficiary may also constitute an unforeseeable emergency. Except as otherwise specifically provided in this Section 6.08, neither the purchase of a home nor the payment of college tuition is an unforeseeable emergency.

A distribution on account of an unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of deferrals under the Plan.

Unless otherwise elected in the Adoption Agreement, then effective as of August 17, 2006, a Participant's unforeseeable emergency includes a severe financial hardship of the Participant's primary beneficiary under the Plan, that would constitute an unforeseeable emergency if it occurred with respect to the Participant's spouse or dependent as defined under Code Section 152. For purposes of this section, a Participant's "primary beneficiary under the Plan" is an individual who is named as a Beneficiary under the Plan and has an unconditional right to all or a portion of the Participant's account balance under the Plan upon the Participant's death.

- 6.09 Transitional Rule for Annuity Payment Option Elections. If this Plan document constitutes an amendment and restatement of the Plan as previously adopted by the Employer and if a Participant or Beneficiary has commenced receiving benefits under an annuity payment option, that annuity payment option shall remain in effect notwithstanding any other provision of this Plan.
- 6.10 Participant's Election to Receive In-Service Distribution. If the Employer so elects in the Adoption Agreement, a Participant may elect to receive an in-service distribution of the total amount payable to him under the Plan if:
- (a) such amount does not exceed the dollar amount under Section 411(a)(11)(A) of the Code,
 - (b) no amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the distribution, and
 - (c) there has been no prior distribution under the Plan to the Participant under this Section 6.10 or under Section 6.11.
- 6.11 Distribution without Participant's Consent. If the Employer so elects in the Adoption Agreement, the total amount payable to a Participant under the Plan may be distributed to the Participant without his consent if:
- (a) such amount does not exceed \$1,000,
 - (b) no amount has been deferred under the Plan with respect to the Participant during the two-year period ending on the date of the distribution, and
 - (c) there has been no prior distribution under the Plan to the Participant under this Section 6.11 or under Section 6.10.
- 6.12 In-plan Roth Conversions. If the Employer so elects in the Adoption Agreement, Participants may elect to convert certain pre-tax Elective Deferral Contributions, Employer Contributions or rollover contributions to after-tax Roth contributions in an in-plan (taxable) conversion. Such conversion shall be accomplished through a direct rollover from the Participant's applicable pre-tax account to his Roth conversion account (such that there is no actual distribution from the Plan). In-plan Roth conversions are expressly limited to amounts that are currently distributable to the Participant under both Code Section 457(d)(1)(A) and the terms of the Plan. Rollover contributions made on or after January 1, 2006 may be converted at any time. Amounts attributable to Elective Deferral Contributions or Employer Contributions generally cannot be converted before the Participant has attained age 70½ or has had a Severance from Employment. If the Employer elects in the Adoption Agreement to allow in-service distribution of small, inactive accounts, such amounts shall also be eligible for conversion under this section. All in-plan Roth conversions shall be taxable to the Participant in the year of the conversion.
- 6.13 Distributions to Individuals Performing Service in Uniformed Services. If (and only if) elected by the Employer in the Adoption Agreement, a Participant who is deemed to have incurred a Severance from Employment on account of performing services in the uniformed services (as defined in chapter 43 of title 38, United States Code) for a period of active duty of more than 30 days may elect to receive a distribution of all or a portion of the Participant's Account under the Plan. However, the Plan will not distribute the Participant's Account without the Participant's consent.

If the Participant elects to receive a distribution under this provision, the Participant may not make an Elective Deferral Contribution or a Designated Roth Contribution to the Plan during the 6-month period beginning on the date of the distribution.

- 6.14 Eligible Retired Public Safety Officer Distribution Deduction Election. Unless the Employer elects otherwise in the Adoption Agreement, for distributions in taxable years beginning after December 31, 2006, an “Eligible Retired Public Safety Officer” may elect annually for that taxable year to have the Plan (i) deduct an amount from the distribution which the Eligible Retired Public Safety Officer otherwise would receive (and include in income) and (ii) pay such deducted amounts directly to the provider of an accident or health insurance plan or qualified long-term care insurance contract. The amount deducted (and paid to the provider) may not exceed the lesser of \$3,000 or the amount the Participant paid for such taxable year for qualified healthcare premiums, and which otherwise complies with Code Section 402(l). For purposes of this section: (i) an “Eligible Retired Public Safety Officer” is an individual who, by reason of disability or attainment of normal retirement age, has experienced a Severance from Employment as a Public Safety Officer with the Employer, (ii) a “Public Safety Officer” has the same meaning as in Section 1204(9)(A) of the Omnibus Crime Control and Safe Streets Act of 1968, and (iii) the term “qualified health insurance premiums” means premiums for coverage for the Eligible Retired Public Safety Officer, his spouse and dependents, by an accident or health plan or a qualified long-term care insurance contract (as defined in Code Section 7702B(b)).

ARTICLE VII. NON-ASSIGNABILITY

- 7.01 In General. Except as provided in Section 7.02, the interests of each Participant or Beneficiary under the Plan are not subject to the claims of the Participant’s or Beneficiary’s creditors; and no Participant or Beneficiary shall have any right to commute, sell, assign, pledge, transfer or otherwise convey or encumber the right to receive any payments hereunder or any interest under the Plan, which payments and interests are expressly declared to be non-assignable and non-transferable.

7.02 Domestic Relations Orders.

- (a) Allowance of Transfers: Notwithstanding Section 7.01, if a judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or the marital property rights of a spouse or former spouse, child, or other dependent of a Participant is made pursuant to a State domestic relations law (“domestic relations order”), then the amount of the Participant’s Account shall be paid in the manner and to the person or persons so directed in the domestic relations order. Such payment shall be made without regard to whether the Participant is eligible for a distribution of benefits under the Plan. The Plan Administrator shall establish reasonable procedures for determining the status of any such decree or order and for effectuating distribution pursuant to the domestic relations order. Where necessary to carry out the terms of such an order, a separate Account may be established with respect to the spouse, former spouse, or child who shall be entitled to make investment selections with respect thereto in the same manner as the Participant.
- (b) Release from Liability to Participant: The Employer’s liability to pay benefits to a Participant shall be reduced to the extent that amounts have been paid or set aside for payment to a spouse, former spouse, child, or other dependent pursuant to paragraph (a) of this section. No such transfer shall be effectuated unless the Employer or Service Provider has been provided with satisfactory evidence that the Employer and the Service Provider are released from any further claim by the Participant with respect to such amounts. The Participant shall be deemed to have released the Employer and the Service Provider from any claim with respect to such amounts, in any case in which (i) the Employer or Service Provider has been served with legal process or otherwise joined in a proceeding relating to such transfer, (ii) the Participant has been notified of the pendency of such proceeding in the manner prescribed by the law of the jurisdiction in which the proceeding is pending by service of process in such action or by mail from the Employer or Service Provider to the Participant’s last known mailing address, and (iii) the Participant fails to obtain an order of the court in the proceeding relieving the Employer or Service Provider from the obligation to comply with the judgment, decree, or order. The Participant shall also be deemed to have released the Employer or Service Provider if the Participant has consented to the transfer pursuant to the terms of a property settlement agreement and/or a final judgment, decree, or order as described in paragraph (a).
- (c) Participation in Legal Proceedings: The Employer and the Service Provider shall not be obligated to defend against or seek to have set aside any judgment, decree, or order described in paragraph (a) or any legal order relating to the garnishment of a Participant’s benefits, unless the full expense of such legal action is borne by the Participant. In the event that the Participant’s action (or inaction) nonetheless causes the Employer or Service Provider to incur such expense, the amount of the expense may be charged against the Participant’s Account and thereby reduce the Employer’s obligation to pay benefits to the Participant. In the course of any proceeding relating to divorce, separation, or child support, the Employer and Service Provider shall be authorized to the extent permitted by

applicable laws to disclose information relating to the Participant's Account to the Participant's spouse, former spouse, or child (including the legal representatives of the spouse, former spouse, or child), or to a court.

- (d) Effective April 6, 2007, a domestic relations order will not fail to be a domestic relations order (1) solely because the order is issued after, or revises, another domestic relations order; or (2) solely because of the time at which the order is issued, including issuance after the annuity starting date or after the Participant's death. A domestic relations order described in this paragraph is subject to the same requirements and protections that apply to domestic relations orders.

ARTICLE VIII. TRANSFERS AND ROLLOVERS

8.01 Transfers. This Plan shall accept and allow transfers, pursuant to Code Section 457, of amounts deferred by an individual under this Plan or another eligible deferred compensation plan meeting the requirements of Section 457(g) of the Code, provided the conditions of this Section 8.01 are met.

- (a) Directed by Individual Participant or Beneficiary. A transfer from this Plan to another eligible governmental deferred compensation plan or from another eligible governmental deferred compensation plan to this Plan is permitted only if the transferor plan provides for transfers, the receiving plan provides for the receipt of transfers, the Participant or Beneficiary whose amounts deferred are being transferred shall have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that Participant or Beneficiary immediately before the transfer, and in the case of a transfer for a Participant, the Participant whose amounts deferred are being transferred has had a severance from employment with the transferring employer and is performing services for the employer maintaining the transferee plan. Upon the transfer of assets from this Plan under this paragraph (a), the Plan's liability to pay benefits to the Participant or Beneficiary under this Plan shall be discharged to the extent of the amount so transferred for the Participant or Beneficiary.

Any such transferred amount shall not be treated as a deferral subject to the limitations of Section 2.18, except that, for purposes of applying the limit of Section 2.18, an amount deferred during any taxable year under the plan from which the transfer is accepted shall be treated as if it had been deferred under this Plan during such taxable year and compensation paid by the transferor employer shall be treated as if it had been paid by the Employer.

- (b) Permissive Service Credit Transfers. Subject to any limitations imposed by an investment provider, if a Participant is also a participant in a tax-qualified defined benefit governmental plan (as defined in Code Section 414(d)) that provides for the acceptance of plan-to-plan transfers with respect to the Participant, then the Participant may elect to have any portion of the Participant's Account transferred to the defined benefit governmental plan. A transfer under this paragraph (b) may be made before the Participant has had a Severance from Employment.

A transfer may be made under this paragraph (b) only if the transfer is either for the purchase of permissive service credit (as defined in Code Section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3).

8.02 Rollovers. A Participant may elect to roll an Eligible Rollover Distribution to an Eligible Retirement Plan. The Participant shall be provided with a description of available rollover rights and rules in advance of such a distribution. A distribution that is an Eligible Rollover Distribution and that is paid in a form other than a rollover shall be subject to mandatory withholding of 20%, or such other mandatory withholding rate as may be imposed under the Code from time to time. This Plan shall be permitted to accept a rollover distribution from an Eligible Retirement Plan (including a distribution from an IRA) to this Plan, subject to any administrative restrictions imposed by the Plan or by the investment provider. To the extent required under the Code, the Plan shall separately account for any rollover contributions it receives. Rollover contributions to the Plan before January 1, 2006, shall be subject to the same restrictions on distributions applicable to other amounts held under the Plan. Rollover contributions to the Plan on or after January 1, 2006, shall not be subject to the same restrictions on distributions applicable to other amounts held under the Plan, and such rollover contributions may be distributed at any time.

8.03 Non-spousal Beneficiary Rollovers.

- (a) For distributions after December 31, 2009, and unless otherwise elected in the Adoption Agreement, for distributions between January 1, 2007 and December 31, 2009, a non-spouse Beneficiary who is a "designated beneficiary" under Code Section 401(a)(9)(E) and the regulations thereunder, may roll over, by a direct trustee-to-trustee transfer ("direct rollover"), all or any portion of his distribution to an individual retirement account the Beneficiary establishes for purposes of receiving the distribution. In order to roll over the distribution, the distribution otherwise must satisfy the definition of an Eligible Rollover Distribution.

- (b) Although a non-spouse Beneficiary may roll over directly a distribution as provided in paragraph (a) above, any distribution made prior to January 1, 2010, is not subject to the direct rollover requirements of Code Section 401(a)(31) (including Code Section 401(a)(31)(B)), the notice requirements of Code Section 402(f) or the mandatory withholding requirements of Code Section 3405(c)). If a non-spouse Beneficiary receives a distribution from the Plan, the distribution is not eligible for an indirect "60-day" rollover.
- (c) If the Participant's named Beneficiary is a trust, the Plan may make a direct rollover to an individual retirement account on behalf of the trust, provided the trust satisfies the requirements to be a "designated beneficiary" within the meaning of Code Section 401(a)(9)(E).
- (d) A non-spouse Beneficiary may not roll over an amount which is a required minimum distribution, as determined under applicable Treasury regulations and other Internal Revenue Service guidance. If the Participant dies before his required beginning date and the non-spouse Beneficiary rolls over to an IRA the maximum amount eligible for rollover, the Beneficiary may elect to use either the 5-year rule or the life expectancy rule, pursuant to Section 1.401(a)(9)-3, A-4(c) of the regulations, in determining the required minimum distributions from the IRA that receives the non-spouse Beneficiary's distribution.

ARTICLE IX. LOANS

If the Employer so elects under the Adoption Agreement, loans shall be made available to all Participants on a reasonably equivalent basis, but only to the extent permitted under the Annuity Contract or other Plan investment and the provisions of this Article. No loan shall be made available under this Plan unless it satisfies all of the requirements of Code Section 72(p) and any other applicable regulatory guidance, including the limitations on the total of a Participant's non-taxable loans from all plans of the Employer for treatment as a tax-free loan. The making of loans under this Plan shall be subject to written guidelines set forth in a separate document (or under the Annuity Contract), which guidelines shall govern the availability, terms and procedures for Participants to obtain loans under this Plan. The availability of loans under this Plan may be suspended, terminated or modified at any time.

ARTICLE X. AMENDMENT OR TERMINATION OF PLAN

- 10.01 Amendment or Termination. The Employer may at any time amend this Plan or terminate this Plan and distribute the Participants' Accounts in conformity with the Code; provided, however, that such amendment or termination shall not impair the rights of Participants or their Beneficiaries with respect to any compensation deferred before the date of the amendment or termination of this Plan except as may be required to maintain the tax status of the Plan under the Code. In the event that the Plan is terminated, amounts deferred under the Plan (and all Plan assets) shall be distributed to all Plan Participants and Beneficiaries as soon as administratively practicable after the termination of the Plan.
- 10.02 Amendment and Restatement of Previously Adopted Plan. If this Plan document constitutes an amendment and restatement of the Plan as previously adopted by the Employer, the amendments contained herein shall be effective as of the Effective Date, and the terms of the preceding plan document shall remain in effect through such date.

ARTICLE XI. USERRA

An Employee whose employment is interrupted by qualified military service under Code Section 414(u) or who is on a leave of absence for qualified military service under Code Section 414(u) may defer additional Compensation upon resumption of employment with the Employer equal to the maximum amount of Compensation that could have been deferred during that period if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption of leave, reduced by the amount of Compensation, if any, actually deferred during the period of the interruption or leave. This right applies for five years following the resumption of employment (or, if sooner, for a period equal to three times the period of the interruption or leave).

ARTICLE XII. MISTAKEN CONTRIBUTIONS

If any contribution (or any portion of a contribution) is made to the Plan by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the Plan Administrator, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned directly to the Participant or, to the extent required or permitted by the Plan Administrator, to the Employer.

ARTICLE XIII. RELATIONSHIP TO OTHER PLANS

This Plan serves in addition to any other retirement, pension or benefit plan or system presently in existence or hereinafter established.

ARTICLE XIV. PARTICIPATING EMPLOYERS

- 14.01 Adoption of Plan. With the consent of the Employer, the Plan may be adopted by any other governmental entity described in Code Section 457(e)(1)(A), and each such adopting entity shall be known as a Participating Employer. Such adoption of the Plan shall be evidenced by completion of a Participation Agreement signed by both the Employer and the Participating Employer.
- 14.02 Participating Employer's Plan. Each Participating Employer shall be treated as the sponsor of its own separate governmental Code Section 457(b) eligible deferred compensation plan, subject to the terms and conditions of this Plan document. Accordingly, although the assets of the Plan may be held in a single trust (or annuity contract or custodial account that is treated as a trust), the assets attributable to the Employer and to each Participating Employer shall be accounted for separately. Except as provided below, wherever a right or obligation is imposed upon the Employer by the terms of the Plan, the same shall extend to each Participating Employer under the Plan, and shall be separate and distinct from that imposed upon the Employer.
- 14.03 Participating Employer's Participation. Except as otherwise provided below, it is the intention of the Employer that each Participating Employer shall be a party to the Plan and shall be treated in all respects as the Employer thereunder, with its employees to be considered as Employees or Participants, as the case may be, under the Plan. However, the participation of a Participating Employer in the Plan shall in no way diminish, augment, modify, or in any way affect the rights and duties of the Employer or its Employees under the Plan.
- 14.04 Severance from Employment. For purposes of Section 2.22 (Severance from Employment), the term Employer means the governmental entity that the Participant was employed by (or under contract with) at the time of his termination of employment.
- 14.05 Plan Administrator. For purposes of Article III (Administration), each Participating Employer shall serve as (or appoint another person to serve as) the Plan Administrator of such Participating Employer's plan. Each Participating Employer (or the person designated by such Participating Employer as the Plan Administrator of that Participating Employer's plan) shall have full power to adopt, amend, and revoke such rules and regulations consistent with and as may be necessary to implement, operate and maintain its participation in the Plan and to make discretionary decisions affecting the rights or benefits of its own Participants under the Plan.
- 14.06 Investments and Administrative Services. Only the Employer shall have the right to enter into contracts or agreements with investment providers or other companies providing administrative services to the Plan. The Employer shall act as the agent of each Participating Employer with respect to such investment contracts and/or services agreements. The Employer's choice of investment and administrative service providers shall be binding on each Participating Employer and, by signing the Participation Agreement, the Participating Employer agrees to be bound by the terms and conditions of any such investment contracts and/or services agreements.
- 14.07 Amendment or Termination of the Plan. Only the Employer shall have the right to amend or terminate the Plan under Article X. The Employer's amendment or termination of the Plan shall be binding on each Participating Employer and, by signing the Participation Agreement, the Participating Employer agrees to be bound by the terms and conditions of any such amendment or termination of the Plan.
- 14.08 Revocation of Participation. A Participating Employer may at any time (by written notice to the Employer) revoke its participation in the Plan, in which case the Participating Employer must adopt its own plan document and provide its own trust or other funding arrangement for the assets attributable to its Participants. If a Participating Employer revokes its participation in the Plan, the Employer shall direct the Trustee of the Plan's trust (and/or the issuer of any annuity contract or the custodian of any custodial account holding Plan assets) to transfer the Plan assets attributable to the Participating Employer's Participants to such separate funding arrangement as soon as administratively practicable following the Participating Employer's revocation of its participation in the Plan.



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VALIC Specimen Governmental Section 457(b) Plan Document Changes

The following summary highlights the material changes made to the VALIC specimen governmental 457(b) plan document:

Separate Adoption Agreement. The elections that were formerly in Article II (and several new elections) are now set forth in a separate Adoption Agreement. The specimen plan now includes both an Adoption Agreement and a Basic Plan Document.

Section 2.06, Compensation. This new definition replaces the former definition of Normal Compensation. For years beginning after 2008, "Compensation" also includes "differential wage payments" (as defined in Section 2.17).

Section 2.09, Designated Roth Contributions. This section defines Roth (after-tax) contributions, which the Employer may elect to permit for years after 2010 (see Item 3 of the Adoption Agreement).

Section 2.13, Employee. Under the HEART Act, for years beginning after 2008, the term "Employee" also includes an individual (on military leave) who is receiving "differential wage payments" (as defined in Section 2.17).

Section 2.14, Eligible Employee. This is an Employee who, based on the Employer's elections in the Adoption Agreement, is eligible to participate in the Plan.

Section 2.16, Employer Contribution. This is a new defined term for amounts (other than Employee Elective Deferral Contributions or Designated Roth Contributions) that the Employer elects to contribute to the Plan as additional Deferred Compensation (based on the Employer's elections in the Adoption Agreement).

Section 2.17, Includible Compensation. Under the HEART Act, for years beginning after 2008, Includible Compensation must include "differential wage payments" (payments by the Employer to Participants on active duty in the uniformed services.)

Section 2.18, Maximum Limitation. The Applicable Dollar Amount and the Age-Based Catch-Up amounts were updated to reflect the 2011 limits (\$16,500 and \$5,500, respectively).

Section 2.22, Severance from Employment. Under the HEART Act, for years after 2008, for purposes of the withdrawal restrictions under Section 457(b) (which normally prohibit distributions before severance from employment or attainment of age 70½), an individual is "treated" as having a severance from employment during any period the individual is performing service in the uniformed services.

Sections 4.08 and 4.09, Deferrals of Sick, Vacation and Back Pay and Deferrals of Amounts Paid after Severance from Employment. Before a Severance from Employment, Participants may elect to defer accumulated sick, accumulated vacation, and back pay if an agreement providing for the deferral is entered into before the beginning of the month in which the amounts would otherwise be paid or made available and the Participant is an Employee on the date the amounts would otherwise be paid or made available. After a Severance from Employment, deferrals may be made for former Employees for certain types of Compensation. Payments for accrued bona fide sick, vacation or other leave may be deferred if such amounts are paid by the later 2½ months after severance, or the end of the year in which the agreement to defer these amounts is entered into before the beginning of the month in which the amounts are paid, and the Employee would have been able to use the leave if employment had continued. Deferrals may also be made for former Employees for Compensation paid to permanently and totally disabled Participants, and for Compensation related to qualified military service

Section 4.10, Designated Roth Contributions. This section describes how (if the Employer elects in the Adoption Agreement) Participants may designate that some or all of their elective contributions to the Plan be treated as after-tax Roth contributions. It also describes how such amounts must be separately accounted for, and how distributions may be made from this separate account.



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VALIC Specimen Section 457(b) Plan Document Changes (Continued)

Section 6.05, 2009 Required Minimum Distributions ("RMDs"). This section was added to reflect the optional waiver of the minimum distribution requirements (under Code Section 401(a)(9)) for the 2009 calendar year. The Employer must elect (in the Adoption Agreement) how the Plan handled required minimum distributions for 2009, and what distributions were eligible for direct rollover.

Section 6.08, Unforeseeable Emergency Withdrawals. The Employee may elect (in Item 6 of the Adoption Agreement) whether to allow unforeseeable emergency withdrawals under the Plan, and if so, whether to allow such distributions based on a severe financial hardship of the Participant's primary Beneficiary.

Section 6.12, In-Plan Roth Conversions. The Employer may elect (in Item 10 of the Adoption Agreement) to allow in-plan conversion of pre-tax amounts to taxable Roth contributions. However, such conversions are limited to amounts (such as rollover contributions) that are distributable under the terms of Code Section 457(b) and the terms of the Plan and the Employer must also elect to allow designated Roth contributions (see Item 3 of the Adoption Agreement).

Section 6.13, Distributions to Individuals Performing Service in the Uniformed Services. The Employer may elect (in item 9 of the Adoption Agreement) to allow distributions by individuals on military leave, but participants who elect such distributions (if allowed) will be subject to a 6 month suspension of pre-tax and Roth after tax deferrals.

Section 6.14, Eligible Retired Public Safety Officer Distribution Deduction Election. Unless the Employer elects otherwise (in Item 11 of the Adoption Agreement), a Participant who qualifies as an eligible retired public safety officer may elect to have up to \$3,000 of an otherwise taxable distribution withheld and paid directly to the provider of an accident or health insurance plan or qualified long-term care insurance contract and exclude any amount paid from gross income.

Section 8.03, Non-spousal Beneficiary Rollovers. Under the Pension Protection Act of 2006, plans had the option to allow a non-spouse beneficiary to make a direct rollover to an "inherited" IRA (for distributions after 2006). Under later legislation, this provision became mandatory (for distributions after December 31, 2009). The Employer may elect (in Item 12 of the Adoption Agreement) to allow such rollovers by non-spouse Beneficiaries as of a date earlier than January 1, 2010 (but not earlier than January 1, 2007).

Article XIV, Participating Employers. This article sets forth the conditions under which the plan may be adopted by more than one employer. Each Participating Employer must execute a separate Participation Agreement (the last two pages of the Adoption Agreement).



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**SECTION 457(b) DEFERRED COMPENSATION PLAN
(For Governmental Employers)
EXPLANATION OF
ADOPTION AGREEMENT**

Item 1 - Plan Effective Date

This section indicates whether the Plan is a new plan (in which case Employer should check the first box and indicate the effective date of the plan) or a restated plan (in which case the Employer should check the second box and indicate both the effective date of the restatement and the original effective date of the plan). Any amendment and restatement should generally be effective as of a date that is not earlier than the first day of the calendar year in which the Adoption Agreement is executed nor later than the last day of the plan year in which the legislative change is required. Note that certain plan provisions are retroactively effective to dates as early as January 1, 2007 (in order to comply with recent statutory changes to Section 457(b)).

Item 2 - Eligible Employees

This section allows the Employer to indicate which Employees shall be allowed to participate in the Plan. However, the Employer may also elect to determine each year which Employees will be allowed to participate in the Plan.

Item 3 - Roth Contributions

Under recent legislation, governmental 457(b) plans may now allow participants to designate all or a portion of their elective contributions to the Plan as after-tax "Roth" contributions. However, plans are not *required* to allow Roth contributions. The Employer must check the appropriate box if it wishes to allow Participants to make designated Roth contributions under the Plan.

Item 4 - Employer Contributions

The Employer should indicate whether it will make Employer Contributions to the Plan. If the Employer simply wishes to retain the discretion to make Employer Contributions, it should check the second box under this item. If the Employer intends for the plan to be a "FICA opt-out" or "FICA replacement" plan for some or all of its Employees, it should check the third box and indicate whether the required contribution (7.5% of Compensation) will be achieved or made through Employer Contributions or through "Mandatory Employee Contributions" (or some combination of both).

Item 5 - Loans

This section allows the Employer to indicate whether Participants will be allowed to borrow from their account under the Plan.

Item 6 - Unforeseeable Emergency Withdrawals

The Employer may elect whether in-service withdrawals on account of unforeseeable emergency will be allowed under the Plan. If unforeseeable emergency withdrawals are allowed, then the Employer may also elect whether to allow unforeseeable emergency withdrawals on account of illness, accident or need to pay for funeral expenses of a Participant's primary Beneficiary. If unforeseeable emergency withdrawals on account of illness, accident or need to pay for funeral expenses of a Participant's primary Beneficiary have been allowed only since a date later than August 17, 2006 (or the original effective date of the Plan, if later), then the Employer should insert that date in the space provided. See Section 6.08 of the Basic Plan Document for the requirements for an unforeseeable emergency withdrawal.

Item 7 - Participant's Election to Receive In-Service Distribution

The Employer may elect whether Participants with small (\$5,000 or less) account balances (who have not made any deferrals under the Plan for at least two years) will be allowed to elect an in-service distribution of their account balance under the Plan.

Item 8 - Distribution Without Participant's Consent

The Employer may elect whether Participants with account balances that do not exceed \$1,000 (and who have not made any deferrals under the Plan for at least two years) may be cashed out (by the Employer) without the Participant's consent.

Item 9 - Distributions to Individuals in Uniformed Services

The Employer may elect whether Participants on military leave will be permitted to take a distribution of their account balance under the Plan (as permitted, but not required, under the HEART Act).

Item 10 - In-plan Roth Conversions

Under the 2010 Small Business Jobs Act, 457(b) plans that allow participants to make designated Roth contributions may also allow in-plan Roth conversions. If (and only if) the Employer has elected (in Item 3) to allow Roth contributions, the Employer may elect to allow in-plan Roth conversions of amounts that are otherwise distributable under the terms of the Plan.

**SECTION 457(b) DEFERRED COMPENSATION PLAN
(For Governmental Employers)
EXPLANATION OF
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Item 11 - Deductions from Distributions to Eligible Retired Public Safety Officers

Under the Pension Protection Act, Participants who qualify as “eligible retired public safety officers” may elect to have a portion of an otherwise taxable distribution paid directly to the provider of an accident or health insurance or qualified long-term care insurance contract and such amount will be excluded from the Participant’s gross income. If the Employer wishes to allow such deductions, the Employer should check the first box.

Item 12 - Non-spousal Beneficiary Rollovers

The Pension Protection Act also changed the distribution rules to permit non-taxable rollovers by non-spouse Beneficiaries after 2006. However, plans were not *required* to allow such distributions before 2010. The Employer should indicate whether rollovers by non-spouse Beneficiaries were permitted prior to 2010 and, if so, whether those distributions were first allowed as of January 1, 2007, or as of a later date (that is not later than January 1, 2010).

Item 13 - Required Minimum Distributions for 2009

Under the Worker, Retiree and Employer Recovery Act of 2008, governmental 457(b) plans were not *required* to make “minimum distributions” for the 2009 calendar year. VALIC’s standard procedure for 2009 was as follows: Participants who were receiving installment payments (where all or a portion of the payment was a “2009 required minimum distribution”) continued to receive those payments unless they specifically elected otherwise, but no other Participants received minimum distributions for that year. If the plan followed VALIC standard procedure, the Employer should check the first box. If the plan did not follow VALIC’s standard procedure with respect to 2009 minimum distributions, the Employer should check one of the other boxes, as appropriate.

Item 14 - Optional Benefit Accruals under HEART Act

Under the HEART Act, governmental 457(b) plans may, but are not required to, treat certain Participants who die or become disabled while on active duty in the uniformed services as if they had returned to work on the day before their date of death or disability (such that they would be entitled, under USERRA, to any additional benefit accruals attributable to their period of military service). If the Employer wishes to provide for this “optional” benefit accrual, the Employer should check the appropriate box.

Item 15 - Governing Law

The Employer should indicate what State or Commonwealth's laws shall govern the operation of the Plan and the interpretation of the Plan document.



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**SECTION 457(b) DEFERRED COMPENSATION PLAN
(for GOVERNMENTAL EMPLOYERS)
EXPLANATION OF
BASIC PLAN DOCUMENT**

ARTICLE I - INTRODUCTION

This article provides that this document sets forth the terms of a Section 457(b) eligible deferred compensation plan of a governmental employer. **This document may not be used to create or restate a Section 457(b) plan of a tax-exempt entity.** Governmental entities may adopt this document to create a new plan, or to bring an existing plan into compliance with legislation and regulatory guidance that has been enacted or issued since the specimen VALIC plan document was last updated. Some of the legislative changes must be adopted before December 31, 2011.

ARTICLE II - DEFINITIONS

This article defines certain terms used in the Plan document. Generally, most capitalized terms in the document will be defined in this article. **Some of the more significant definitions include:**

Section 2.04 - Beneficiary or Beneficiaries

This section provides that a Participant may name one or more primary beneficiaries as well as one or more contingent beneficiaries (who will be treated as the Participant's beneficiary if the primary beneficiary(ies) predeceases the Participant). It also provides that if a Participant fails to name a Beneficiary, the Participant's interest in the Plan will be payable to the Participant's estate.

Section 2.06 - Compensation

This section defines "Compensation" as the amount that would have been payable to the Participant but for the Participant's election to defer compensation under the Plan. Compensation also includes any pre-tax deferrals to another tax-favored plan, such as a Section 125 cafeteria plan. For years after December 31, 2008, the term "Compensation" shall also include "differential wage payments" (as defined in Section 2.17).

Section 2.13 - Employee

This section provides that for years after December 31, 2008, the term "Employee" includes certain individuals on military leave if such individuals are receiving "differential wage payments" as that term is defined in Section 2.17.

Section 2.17 - Includible Compensation

This section defines "Includible Compensation" as the Participant's compensation from the Employer for the year, including 401(k), 403(b), SEP and SIMPLE elective deferrals and other amounts contributed or deferred by the Employer at the Participant's election and excluded from the Participant's gross income under Code sections 125, 132(b)(4) or 457. For years beginning after 2008, it also includes "differential wage payments," which are payments by the Employer to an individual while the individual is performing service in the uniformed services on active duty for a period of more than 30-days, and which represent wages the individual would have received from the Employer if the individual were performing service for the Employer.

Section 2.18 - Maximum Limitation

This section sets forth the contribution limits under the Plan. For most years, the maximum amount that may be deferred under the Plan (*i.e.*, the "Normal Limitation") is the lesser of the dollar amount under Section 457(b) (\$16,500 for 2011, indexed for future years) or 100% of the Participant's Includible Compensation (as defined in Section 2.17). However, for the last three years before the year the Participant attains his/her "Normal Retirement Age" (as defined in Section 3.12), the maximum deferral limit (which is referred to as the "Catch-Up Limitation") is the lesser of (i) twice the dollar limit under Section 457(b) (*i.e.*, \$33,000 for 2011), or (ii) the Normal Limitation plus the unused portion of the deferral limit for post-1978 years that the Participant was eligible to participate in the Plan. Section 2.18(g) provides that any deferrals in excess of these contribution limits (and any income attributable to those excess deferrals) must be distributed to the Participant as soon as administratively practicable after the Plan determines that the amounts are excess deferrals.

**SECTION 457(b) DEFERRED COMPENSATION PLAN
(for GOVERNMENTAL EMPLOYERS)
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Section 2.19 - Normal Retirement Age

This section provides that the Participant may choose (within certain limits) what age he/she wishes to use as the "Normal Retirement Age" under the Plan. This is the age that determines in which Plan years the Participant may use the Catch-up Limitation rather than the Normal Limitation. If the Participant does not elect an alternative age, the "default" Normal Retirement Age will be 70½. The Participant may elect an earlier age, but no earlier than age 65 (or, if earlier, the earliest date the Participant may retire and receive an unreduced benefit under the Employer's defined benefit or money purchase pension plan), unless the Participant is a qualified police officer or firefighter, in which case the age elected can be as early as age 40.

Section 2.22 – Severance from Employment

This section provides that "Severance from Employment" means termination of the Participant's employment relationship with the Employer. For years after 2008, solely for purposes of the withdrawal restrictions under Code Section 457(b), an individual will be treated as having been severed from employment during any period the individual is performing service in the uniformed services.

ARTICLE III - ADMINISTRATION

This article provides that the Plan shall be administered by either (i) the Employer or (ii) one or more persons appointed by the Employer. However, the Employer may enter into an agreement with a Service Provider (such as VALIC) to provide administrative services under the Plan.

ARTICLE IV - PARTICIPATION IN THE PLAN

This article explains how an employee becomes a Participant, how the Participant elects to defer compensation, and what types of compensation may or may not be deferred. Significant sections of this article include:

Section 4.02 - Enrollment in the Plan

This section provides that, in order to defer salary for a given calendar month, a Participant must enter into a Deferred Compensation Agreement before the first day of the month in which such Compensation is paid or made available. However, a new Employee may defer salary for the calendar month in which he/she first begins employment by entering into a Deferred Compensation Agreement on or before the first day of employment.

Section 4.06 – New Deferred Compensation Agreement Upon Return to Service or After Revocation

This section provides that a Participant who returns to active service with the Employer after a Severance from Employment, or who has revoked his Deferred Compensation Agreement, may again become an active Participant by executing a new Deferred Compensation Agreement with the Employer prior to the beginning of the calendar month as to which it is to be effective. **If, however, an individual elected to receive a distribution because he/she was treated as having been severed from employment during any period he/she was performing service in the uniformed services, then such individual may not elect to defer compensation during the 6-month period beginning on the date of such distribution (see Section 6.13).**

Section 4.08 - Deferrals of Sick, Vacation and Back Pay

This section provides that a Participant who has not terminated employment may defer accumulated sick pay, vacation pay, or back pay only if an agreement providing for such deferral is entered into before the beginning of the month in which the amounts would otherwise be paid, and the Participant is still an Employee on the date the amounts would otherwise be paid.

Section 4.09 - Deferrals of Amounts Paid After Severance from Employment

This section provides that, if the Employer allows, a Participant may elect to defer certain amounts that are paid after Severance from Employment. This includes regular pay and payments of accrued sick, vacation or other leave, so long as the amounts are paid by the later of 2½ months after Severance from Employment or the end of the calendar year that includes the date of Severance from Employment. It also includes certain amounts that are paid to Participants on military leave, and amounts paid to Participants who are permanently and totally disabled (regardless of how long after Severance from Employment those amounts are paid).

Section 4.10 - Designated Roth Contributions

If elected by the Employer in the Adoption Agreement, the Plan allows a Participant to designate all or a portion of his/her elective contributions to the Plan as Designated Roth Contributions, which are after-tax contributions with special attributes.

**SECTION 457(b) DEFERRED COMPENSATION PLAN
(for GOVERNMENTAL EMPLOYERS)
EXPLANATION OF
BASIC PLAN DOCUMENT**

Section 4.11 - Employer Contributions

This section provides that, if elected by the Employer in the Adoption Agreement, the Employer may make matching or non-matching Employer Contributions to the Plan as additional Deferred Compensation. These Employer Contributions must be accounted for separately from Designated Roth Contributions, rollover contributions and amounts converted to Roth contributions through an in-Plan conversion described in Section 6.12. If the Employer elects to contribute to the plan in lieu of withholding and paying FICA taxes for certain employees, the Employer must contribute (or mandate that the Employee contribute) at least 7.5% of Compensation for each pay period that the Participant is intended to be exempt from FICA taxes.

Section 4.12 - Compliance with HEART Act

This section provides that, in compliance with the requirements of the Heroes Earnings Assistance and Relief Tax Act of 2008 ("HEART"), in the case of a Participant who dies on or after January 1, 2007, while performing qualified military service, the Participant's Beneficiary shall be entitled to any additional benefits (other than benefit accruals during the period of military service) provided under the Plan as if the Participant had resumed employment and then terminated employment on account of death. However, if the Employer so elects in the Adoption Agreement, the Plan shall also treat an individual who dies or becomes disabled while performing qualified military service as if that individual had resumed employment (for purposes of that individual's right to certain benefit accruals under USERRA) on the day preceding death or disability and terminated employment on the actual date of death (or disability).

ARTICLE V - INVESTMENT OF DEFERRED COMPENSATION

This article describes how a Participant's Account under the Plan is credited with earnings (or losses) based on the investment options selected by the Participant, and how the benefits payable to a Participant under the Plan are based on the value of that Account. It also provides that Plan Assets are held for the exclusive benefit of Plan participants and their beneficiaries in one or more annuity contracts, trusts, or custodial accounts.

ARTICLE VI - BENEFITS

This article describes how and when benefits are distributed to Participants under the Plan. Significant sections of this article include:

Section 6.01 - Distribution of Benefits

This section provides that benefits are distributable on the earlier of Severance from Employment or attainment of age 70½. If the Participant has had a Severance from Employment, distribution of his/her Account must commence by no later than April 1 of the calendar year following the calendar year the Participant attains age 70½. The Participant may change the distribution date at any time.

Section 6.03 - Payment Options

This section provides that a Participant (or a Beneficiary) may elect to have the value of the Participant's Account under the Plan distributed in any one of several forms of payment, including (i) a lump sum, (ii) installments of a specific amount or for a specific period, or (iii) a single life or joint life annuity. The election as to the form of payment may be made at any time prior to the date benefits are scheduled to begin.

Section 6.04 - Required Minimum Distributions

This section reflects the requirement that the Participant's account be distributed, or that distributions commence, no later than April 1 of the calendar year following the calendar year that the Participant attains age 70½, and that the Participant's entire interest in the Plan be distributed over a period that is not longer than the Participant's life expectancy (or the joint life expectancy of the Participant and his/her designated Beneficiary).

**SECTION 457(b) DEFERRED COMPENSATION PLAN
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BASIC PLAN DOCUMENT**

Section 6.05 - 2009 Required Minimum Distributions (“RMDs”)

This section describes how the Plan handled required minimum distributions (RMDs) for the 2009 calendar year. Under the Worker, Retiree, and Employer Recovery Act of 2008 (sometimes referred to as “WRERA”), such distributions were technically “optional” for the 2009 calendar year. However, Employers are generally required to document how distributions were actually handled for the 2009 year. **Section 6.05(a) (which is the “default” option under the Adoption Agreement) describes how required minimum distributions were handled operationally by plans administered by VALIC.** Under this option, participants receiving installment payments continued to receive such payments unless they affirmatively elected not to receive such payments, but RMDs were suspended for all other participants. Sections 6.05(b) and (c) describe other options that the Plan may have used to handle RMDs for 2009 (that the Employer may elect in the Adoption Agreement). If none of these options accurately describes how RMDs were handled for 2009, the Employer may choose “Other” in the Adoption Agreement and specify exactly how such distributions were handled for the 2009 year.

Section 6.06 - Post-Retirement Death Benefits

This section reflects the requirement that if a Participant should die after benefits have commenced, but before all benefits have been distributed, payments to the Beneficiary must also comply with the minimum distribution requirements of the Code.

Section 6.07 - Pre-Retirement Death Benefits

This section reflects the requirement that if a Participant should die before benefits commence, a death benefit equal to the Participant's Account balance will be payable to his/her Beneficiary, but any distributions to such Beneficiary must also comply with the minimum distribution requirements under the Internal Revenue Code (“code”).

Section 6.08 - Unforeseeable Emergency Withdrawals

This section provides that, if elected by the Employer in the Adoption Agreement, a Participant may receive an in-service distribution from the Plan on account of an unforeseeable emergency. However, the amount of the distribution may not exceed the amount that is reasonably necessary to satisfy the unforeseeable emergency. An “unforeseeable emergency” is defined as a “severe financial hardship” of the Participant resulting from either (i) an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined under the Code) or, if the Employer elects in the Adoption Agreement, the Participant's primary Beneficiary; (ii) loss of the Participant's property due to casualty; or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. Effective as of August 17, 2006 (or such later date as the Employer elects in the Adoption Agreement) an unforeseeable emergency withdrawal may be based on certain financial hardships of the Participant's primary Beneficiary under the Plan.

Section 6.10 - Participant's Election to Receive In-Service Distribution

The Employer may elect (in Item 7 of the Adoption Agreement) to allow a Participant to elect an in-service distribution from his/her Account under the Plan if the balance in the Account is small (currently \$5,000 or less), the Participant has not made any elective deferrals to the Plan for at least two years, and the Participant has not made a prior election under this section.

Section 6.11 - Distribution Without Participant's Consent

The Employer may elect (in Item 8 of the Adoption Agreement) to “cash-out” Participants described in Section 6.10 with or without the Participant's consent, if the participant's Account balance is \$1,000 or less.

Section 6.12 - In-plan Roth Conversions.

This section provides that, if the Plan allows Designated Roth Contributions, and if the Employer so elects in the Adoption Agreement, Participants may elect to convert certain pre-tax contributions (such as Elective Deferral Contributions or pre-tax amounts rolled into the Plan from another employer plan) to after-tax Roth contributions in a taxable “in-plan Roth conversion.” If elected by the Employer, this option is limited to amounts that are currently distributable under Code Section 457(b) and the terms of the Plan. For example, although rollover contributions may be converted at any time, Elective Deferral Contributions may not be converted before the Participant has a Severance from Employment or attains age 70½. Amounts converted to Roth contributions will be taxable to the Participant (even though no amounts are distributed from the Plan) in the year of the conversion.

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Section 6.13 - Distributions to Individuals Performing Service in Uniformed Services

Under the HEART Act, individuals who are serving in the uniformed services for a period of active duty of at least 30-days are considered to have incurred a Severance from Employment (for purposes of the rules under Code Section 457(b) that normally restrict distributions prior to Severance from Employment or attainment of age 70½). This section provides that, if the Employer so elects in the Adoption Agreement, Participants serving in the uniformed services for the requisite period of active duty may, but are not required to, take a distribution of all or a portion of their Account under the Plan. **However, if a Participant on military leave takes such a distribution, the Participant may not make Elective Deferral Contributions or designated Roth contributions under the Plan for a 6-month period beginning on the date of the distribution.**

Section 6.14 - Eligible Retired Public Safety Officer Distribution Deduction Election

Under the Pension Protection Act of 2006, an eligible retired public safety officer may elect to have up to \$3,000 of an otherwise taxable distribution from the Plan and pay non-taxable premiums for accident or health insurance (or qualified long-term care insurance) and exclude that amount from gross income. This section provides that, unless the Employer elects otherwise in the Adoption Agreement, Participants who qualify as "Eligible Retired Public Safety Officers" may designate that the Plan deduct a portion of a distribution from the Plan and pay that amount directly to the provider of an accident or health insurance plan or a qualified long-term care insurance contract.

ARTICLE VII - NON-ASSIGNABILITY

This article provides that, in general, a Participant's interest in the Plan is not subject to the claims of the Participant's creditors, and is not assignable or transferable by the Participant, except in the case of Domestic Relations Order (in which case all or a portion of the Participant's interest in the Plan may be assigned and set aside for the benefit of an alternate payee, such as the Participant's spouse or former spouse or child).

ARTICLE IX - LOANS

This article provides that, if the Employer so elects (in Item 5 of the Adoption Agreement), loans to Participants shall be allowed under the Plan, but only in the amount permitted under Code Section 72(p). The making of loans under the Plan, however, will be subject to the written terms of the Annuity Contract or other Plan investments.

ARTICLE X - AMENDMENT OR TERMINATION OF PLAN

This article discusses how and when the Plan may be amended or terminated by the Employer. Significant sections include:

Section 10.01 - Amendment or Termination

This section provides that the Employer may amend the Plan at any time. The Employer may also terminate the Plan and distribute all Participant Accounts under the Plan as soon as administratively practicable after the termination of the Plan.

Section 10.02 - Amendment and Restatement of Previously Adopted Plan

As noted above under Section 2.01, if this plan document is an amendment and restatement of a previously adopted 457(b) plan, the plan is generally effective as of the Effective Date and the terms of the preceding plan document remain in effect through such date.

ARTICLE XI - USERRA

This article provides that the Plan shall comply with the requirements of the Uniformed Services Employment and Reemployment Rights Act ("USERRA"). Under USERRA, Participants whose employment is interrupted by (or who are on a leave of absence during) a period of qualified military service will have the right to defer additional Compensation upon resumption of employment with the Employer in an amount equal to the maximum amount of Compensation that could have been deferred during the period of military service.

ARTICLE XIII - RELATIONSHIP TO OTHER PLANS

This article simply states that the Plan is separate from, and in addition to, any other retirement, pension or benefit plan of the Employer.

ARTICLE XIV - PARTICIPATING EMPLOYERS

This article provides that, with the consent of the Employer, the Plan may be adopted by any other governmental entity that qualifies as an eligible employer under Code Section 457(e)(1)(A), and that such adopting entity shall be known as a Participating Employer. Such participation shall be evidenced by a written Participation Agreement signed by both the Employer and the adopting governmental entity. Although both employers will share a single plan document and a single funding mechanism, each Participating Employer shall be treated as the sponsor of its own separate governmental 457(b) plan.

AGENDA ITEM 1.F

REQUEST

AUTHORIZE AMENDMENT OF THE CITY'S CLASSIFICATION PLAN AND POSITION CONTROL ROSTER BY APPROVING THE REVISION OF THE RECORDS SUPERVISOR CLASSIFICATION IN THE POLICE DEPARTMENT

EXECUTIVE SUMMARY

This report recommends revising the City's Records Supervisor classification in the Police Department to reflect a new title as well as changes in duties and reporting requirements. The recommended position title will be Records Unit Supervisor.

DISCUSSION

At its meeting on November 15, 2011, the City Council approved Resolution 2011-217, which accepted the Police Department's reorganization efforts and approved the addition of a Police Captain position, a Police Support Operations Manager, and a part-time Professional Standards Officer. At that time, the staff report indicated that the Human Resources Department would be returning to Council with recommendations for changes to the existing Records Supervisor classification as soon as the City completed its required Meet and Confer process with the Tracy Police Officers Association (TPOA).

Classification Study Findings and Recommendation

The Human Resources Department has completed a review of the Records Supervisor classification and recommends revisions to the job description to reflect duty changes, advancements in technology, and reporting requirements that have occurred since the last revision, which was approximately 13 years ago. A title change and bargaining unit modification are also being recommended to bring the classification title and representation in line with other non-sworn supervisory personnel in the Police Department and other supervisory employees throughout the City. Human Resources staff has met and conferred with the TPOA to discuss proposed changes, which include a change in the classification's representation from TPOA to the Tracy Mid Managers Bargaining Unit. In addition, proposed revisions to the classification specification have changed its Fair Labor Standards Act (FLSA) designation from overtime eligible to overtime exempt.

STRATEGIC PLAN

This agenda item supports the Organizational Efficiency Strategic Plan and specifically implements the following goals:

Goal 1: Advance City Council's fiscal policies

Goal 4: Ensure long-term viability and enhancement of the City's workforce

FISCAL IMPACT

There is no fiscal impact anticipated with the proposed classification change. While the position will receive certain management benefits equal to approximately \$3,600 per year, it will no longer be eligible to receive overtime compensation, which could easily cost the City significantly more.

RECOMMENDATION

That the City Council, by resolution, authorize the Human Resources Director to amend the City's Classification Plan and the Budget Officer to amend the Position Control Roster by approving the revision of the Records Supervisor classification in the Police Department.

Prepared by: Midori Dearborn, Senior Human Resources Analyst

Reviewed by: Gary R. Hampton, Chief of Police
Maria Olvera, Human Resources Director

Approved by: R. Leon Churchill Jr., City Manager

Attachments: Records Unit Supervisor Job Description

City of Tracy

RECORDS UNIT SUPERVISOR

Class Title: Records Unit Supervisor	Class Code: 30XXX
Department: Police	Bargaining Group: Tracy Mid Managers Bargaining Unit
EEO Code: 76	Effective Date: 1994
FLSA Status: Exempt	Revision History: 6/98, 12/11

DESCRIPTION

To supervise, evaluate and participate in the work of personnel responsible for a variety of complex and confidential technical law enforcement support services related to gathering, recording, maintaining, retrieving and distributing law enforcement data and information. This classification participates in the development, implementation and administration of administrative policies, procedures, and programs.

SUPERVISION RECEIVED AND EXERCISED

Receives direction from the Police Support Operations Manager or others as directed by the Police Chief; exercises direct supervision over Police Records Assistants and other personnel assigned to the Records Unit.

DISTINGUISHING CHARACTERISTICS

The Records Unit Supervisor is responsible for directing and coordinating a variety of complex technical, clerical and office support services in the Records Unit of the Police Department. This classification is distinguished from the Police Records Assistant by the need for a broader and more detailed understanding of support services and records unit operations.

EXAMPLES OF IMPORTANT AND ESSENTIAL DUTIES

Oversees the daily operation of the Police Records Unit; processes information for Uniform Crime Reports (UCR) to the Department of Justice (DOJ), oversees maintenance of police reports, fire arson reports, sex offender registration records, narcotics violations and parking enforcement records.

Supervises unit employees, including assigning, directing, and evaluating staff; monitors employee workload and solves related problems.

Performs highly complex specialized record keeping and tasks related to law enforcement.

Supervises subpoenas, CLETS and all criminal records processes performed within the Records Unit.

Maintains required department training program documentation.

Monitors the quality of computer data entry; manages clerical procedures and incoming/outgoing information and records.

Recommends and assists in the implementation of goals and objectives for the Records Unit; implements bureau policies and procedures.

Provides system management for the Police Department's automated records management and Computer Aided Dispatch systems; provides system file maintenance and quality control functions.

Provides technical assistance to records unit staff.

Models appropriate professional supervisory conduct; maintains appropriate confidentiality of sensitive information; complies with and supports City policies and procedures, labor laws and other applicable laws or policies.

Builds and maintains respectful, positive working relationships with staff, supervisors, outside agencies and the public using principles of good customer service; provides effective conflict resolution as needed.

Answers questions and provides information to the public; investigates complaints and recommends corrective action as necessary to resolve complaints.

Performs other duties as assigned.

MINIMUM QUALIFICATIONS

Knowledge of:

Principles and practices of law enforcement records management, including pertinent statutes and court decisions; modern techniques for proper maintenance and destruction of police records and other documents

Principles and practices of employee supervision, training, performance evaluations, disciplinary procedures and relevant MOU provisions

Requirements of law enforcement statistical reporting, including preparation and analysis of statistical reports

Principles and practices of supervision and human resources management

Operation of computer systems and automated systems management

Principles of municipal budget administration

Safe work practices and related regulations

Principles of conflict resolution and excellent customer service

Ability to:

Supervise the operations and employees of the Records Unit to assure that all requirements and expected standards are met

Supervise staff including evaluate performance and provide effective training and performance improvement programs; recommend and administer discipline if needed; apply provisions of MOU and other relevant personnel policies and procedures

Diagnose and troubleshoot complex problems and provide and coordinate appropriate solutions

Create and maintain accurate and detailed record keeping systems

Determine the training needs of staff; train, or oversee the training of both new and experienced personnel in new techniques, policies, and procedures

Demonstrate positive and effective interpersonal skills with staff, the public, vendors, businesses, and others encountered during the course of performing duties

Research and recommend new or additional technology and equipment as needed

Interpret and explain pertinent statutes, court decisions, and City and Department policies

Develop and/or update and train various communications related policies and procedures for the Records Unit; aids and assists with preparing and monitoring the Records Unit budget

Communicate clearly and concisely, both orally and in writing; prepare staff reports as requested or assigned

Investigate complaints received involving staff and recommend corrective action as necessary to resolve the situations

Ensure compliance with City and Departmental rules, regulations, policies, and procedures

LICENSES/CERTIFICATES

Possession of, or ability to obtain, an appropriate, valid California driver's license.

Possession and maintenance of a California POST Records Supervisor Certificate within one year of hire is a condition of continued employment.

EXPERIENCE AND TRAINING

Any combination of experience and training will qualify if it provides for the required knowledge and abilities. A typical way to obtain the knowledge and abilities would be:

Experience:

Five years of full-time police records experience, including two years supervisory responsibility.

Experience in a city police department is desirable

Training:

Equivalent to completion of twelfth grade, supplemented by college level courses in supervision, records keeping or other related fields.

TOOLS AND EQUIPMENT USED

Mainframe computer terminal; personal computer including word processing software; copy machine; postage machine; fax machine; police radio; calculator, telephone, document scanning devices.

PHYSICAL DEMANDS

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

While performing the duties of this job, the employee is frequently required to sit and talk or hear. The employee is occasionally required to walk; use hands to finger, handle, or feel objects, tools, or controls; and reach with hands and arms.

WORK ENVIRONMENT

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

The noise level in the work environment is usually quiet.

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statements of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statements of duties does not exclude them from the position if the work is similar, related, or a logical assignment to the position.

This job description does not constitute an employment agreement between the City of Tracy and the employee and is subject to change by the City as the needs of the City and/or the requirements of the job change

RESOLUTION _____

AUTHORIZE AMENDMENT OF THE CITY'S CLASSIFICATION PLAN AND POSITION CONTROL ROSTER BY APPROVING THE REVISION OF THE RECORDS SUPERVISOR CLASSIFICATION IN THE POLICE DEPARTMENT

WHEREAS, The City has a Classification Plan, and

WHEREAS, The City has completed classification reviews to establish classification specifications;

NOW, THEREFORE, BE IT RESOLVED, That the City Council authorizes the Human Resources Director to amend the City's Classification Plan and the Budget Officer to amend the Position Control Roster to reflect the revised classification specification for Records Supervisor.

* * * * *

The foregoing Resolution _____ was adopted by the Tracy City Council on the 6th day of December, 2011 by the following votes:

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

Mayor

ATTEST:

City Clerk

AGENDA ITEM 1.G

REQUEST

APPROVE AMENDMENT 1 TO THE PROFESSIONAL SERVICES AGREEMENT WITH RBF CONSULTING FOR THE FILIOS/DOBLER ANNEXATION AND DEVELOPMENT PROJECT, APPROPRIATE \$14,196 FROM THE REIMBURSEMENT AGREEMENT FUNDS AND AUTHORIZE THE MAYOR TO EXECUTE THE AMENDMENT

EXECUTIVE SUMMARY

Staff recommends that the City Council approve Amendment 1 to the Professional Services Agreement with RBF Consulting to prepare a legal description, exhibit diagrams, and technical documentation for the Project's LAFCo application.

DISCUSSION

On November 1, 2011, the City Council certified the Environmental Impact Report (EIR) for the Filios/Dobler Annexation and Development Project ("Project"). The Project includes annexation, a General Plan amendment, I-205 Corridor Specific Plan amendment, and rezoning of approximately 43 acres on the south side of Grant Line Road west of and adjacent to the Tracy Marketplace Shopping Center to prepare the site for future commercial development.

On April 20, 2010, the City Council approved a Professional Services Agreement with RBF Consulting to prepare the EIR for the Project. RBF completed the EIR which was certified on November 1, 2011. The next step in the development process is to prepare and submit the annexation application to the Local Agency Formation Commission (LAFCo). LAFCo requires a legal description, exhibit maps, and certain other legal and technical documentation to be prepared for their review and consideration prior to annexation.

RBF Consulting has specific, recent experience with the City and the Filios/Dobler Project and has experience and expertise to prepare LAFCo annexation documentation. City staff requested an amended scope of work from RBF to prepare the documentation required by LAFCo. Attachment A contains the proposed scope of work to prepare the LAFCo application documentation.

STRATEGIC PLAN

The annexation and development Project supports the Economic Development Strategic Plan, specifically implementing Goal 1, Job Creation and Goal 2, Retail Recruitment/Revenue Enhancement.

FISCAL IMPACT

Amending the Professional Services Agreement with RBF to prepare the LAFCo documentation will not result in the expenditure of City funds. City Council approved a

Reimbursement Agreement (Resolution 2009-145) with the project applicants on August 4, 2009. This Reimbursement Agreement will ensure the City is reimbursed for all expenses related to the professional services for the project, including the attached scope of work and staff time related to preparing and processing the application.

RECOMMENDATION

Staff recommends that the City Council approve Amendment Number 1 to the Professional Services Agreement with RBF Consulting in the amount of \$14,196 for the preparation of the Filios/Dobler Project legal description, exhibit maps, and certain other legal and technical documentation required for the LAFCo annexation application, appropriate funds from the Reimbursement Agreement and authorize the Mayor to execute the Agreement.

Prepared by: Alan Bell, Senior Planner

Reviewed by: Bill Dean, Development Services Assistant Director

Approved by: Andrew Malik, Development Services Director
Leon Churchill, Jr., City Manager

Attachment A – Proposed Amendment 1 to the Professional Services Agreement with RBF Consulting Regarding the Filios/Dobler Annexation and Development Project

**CITY OF TRACY
AMENDMENT NO. 1 TO
PROFESSIONAL SERVICES AGREEMENT**

This Amendment No. 1 (“Amendment”) to the Professional Services Agreement is made and entered into by and between the City of Tracy, a municipal corporation (“City”), and RBF Consulting, a California corporation (“Consultant”).

RECITALS

- A.** On April 20, 2010, the City and Consultant entered into a Professional Services Agreement (“Agreement”) for the Filios/Dobler Annexation and Development Project. The Agreement was approved by the City Council under Resolution 2010-048; and
- B.** CONSULTANT completed the Final Environmental Impact Report (EIR) prepared under the Agreement, and the City Council certified the Final EIR on November 1, 2011; and
- D.** An annexation legal description, exhibit drawings, plan for services, and other technical documentation is required for the LAFCo application related to this Project; and
- E.** CONSULTANT’s recent experience in preparing the EIR for the project and their technical expertise enables them to complete the necessary LAFCo submittal requirements quickly and efficiently; and
- F.** A Reimbursement Agreement is in place (under City Council Resolution 2009-145) to ensure that the project applicant finances the costs of the services proposed under this Amendment No. 1.

NOW THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

- 1. Incorporation by Reference.** This Amendment hereby incorporates by reference all terms and conditions set forth in the Agreement, unless specifically modified by this Amendment. All terms and conditions set forth in the Agreement which are not specifically modified by this Amendment shall remain in full force and effect.
- 2. Terms of Amendment.**
 - 2.1.** Section 1 of the Agreement is amended to add reference to a new Exhibit B, to read as follows:
 - “1. SCOPE OF SERVICES.** CONSULTANT shall perform the services described in Exhibit “A” and Exhibit “B”, attached hereto and incorporated herein by reference. The services shall be performed by, or under the direct supervision of, CONSULTANT’s Authorized Representative: Kristie Wheeler.

CITY OF TRACY
Amendment No. 1 to Professional Services Agreement
Filios/Dobler Annexation and Development Project
Page 2 of 3

CONSULTANT shall not replace its Authorized Representative, nor shall CONSULTANT replace any of the personnel listed in Exhibits "A" or "B", nor shall CONSULTANT use any subcontractors or subconsultants, without the prior written consent of the CITY."

- 2.2.** Section 2 is amended to add the timing requirements of Exhibit B, and to read as follows:

"2. TIME OF PERFORMANCE. Time is of the essence in the performance of services under this Agreement and the timing requirements set forth herein shall be strictly adhered to unless otherwise modified in writing in accordance with this Agreement. CONSULTANT shall commence performance, and shall complete all required services no later than the dates set forth in Exhibit "A" **for the Exhibit "A" services, and no later than the dates set forth in Exhibit "B" for the Exhibit "B" services.** Any services for which times for performance are not specified in this Agreement shall be commenced and completed by CONSULTANT in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the CONSULTANT subject to adherence to sound professional practices and procedures. Consultant shall submit all requests for extensions of time to the CITY in writing no later than ten (10) days after the start of the condition which purportedly caused the delay, and not later than the date on which performance is due. CITY shall grant or deny such requests in its sole discretion."

- 2.3.** Section 5.1 is amended to read as follows:

"5.1 For services performed by CONSULTANT in accordance with this Agreement, CITY shall pay CONSULTANT on a time and expense basis, at the billing rates set forth in Exhibit "A" **(for Exhibit "A" work) and as set forth in Exhibit "B" (for Exhibit "B" work)**, attached hereto and incorporated herein by reference. CONSULTANT's fee for this Agreement is Not to Exceed \$210,483 **for Exhibit "A" work or Not to Exceed \$14,196 for Exhibit "B" work.** CONSULTANT's billing rates shall cover all costs and expenses of every kind and nature for CONSULTANT's performance of this Agreement. No work shall be performed by CONSULTANT in excess of the Not to Exceed amount without the prior written approval of the CITY."

- 3. Modifications.** This Amendment may not be modified orally or in any manner other than by an agreement in writing signed by both parties, in accordance with the requirements of the Agreement.

CITY OF TRACY
Amendment No. 1 to Professional Services Agreement
Filios/Dobler Annexation and Development Project
Page 3 of 3

4. **Severability.** In the event any term of this Amendment is held invalid by a court of competent jurisdiction, the Amendment shall be construed as not containing that term, and the remainder of this Amendment shall remain in full force and effect.
5. **Signatures.** The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Amendment on behalf of the respective legal entities of the CONSULTANT and the CITY. This Amendment shall inure to the benefit of and be binding upon the parties thereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties do hereby agree to the full performance of the terms set forth herein.

CITY OF TRACY

By: _____
Brent H. Ives
Title: Mayor
Date: _____

Attest:

By: _____
Sandra Edwards
Title: City Clerk
Date: _____

Approved as to form

By: _____
Daniel G. Sodergren
Title: City Attorney
Date: _____

Attachment: Exhibit "B"

CONSULTANT
RBF Consulting, a California
Corporation

By: _____
Garrett Griz
Title: Senior Vice President
Date: _____

Depending on type of entity, second signature may be required

By: _____
Title: _____
Date: _____

EXHIBIT B

The following scope of work and fee estimate has been prepared by RBF Consulting (RBF) to provide the City of Tracy (City) with contract planning services needed to prepare a Local Agency Formation Commission (LAFCo) application for the Filios/Dobler annexation.

RBF will complete the following tasks:

Task 1: Prepare Justification of Proposal

RBF will work with City staff and the property owners to complete San Joaquin LAFCo's Justification of Proposal form. This form includes questions regarding the project location, property ownership and other information, and a requirement to provide a written statement of justification to assist LAFCo in reviewing the merits of the annexation request.

Task 2: Prepare Legal Description and Map

RBF will prepare a legal description and plat map in accordance with San Joaquin LAFCo's requirements. A licensed Land Surveyor will sign the legal description and plat map. Deliverables will include a wet-stamped legal description and plat map, and electronic files suitable for filing with the State Board of Equalization and LAFCo.

Task 3: Prepare Plan for Services and Diagram of Water, Sewer and Storm Drainage Systems

In accordance with Government Code Section 56653, RBF will prepare a plan for providing services to the affected territory. The plan will include: 1) a description for public services to be extended; 2) the level and range of services; 3) an indication of when services can feasibly be extended; 4) an indication of any improvements or upgrading of structures, roads, sewer or water facilities, or other conditions the City would impose or require if the proposed annexation is approved; and 5) information with respect to how the services will be financed. In addition, RBF will prepare a schematic diagram showing the location of existing City water, sewer and storm drainage systems in relation to the affected territory.

Task 4: Prepare Statement of Open Space (Agricultural) Land Conversion

RBF will prepare a statement of Open Space (Ag) Land Conversion, in accordance with Government Code Section 56377. The statement will provide justification to support that the proposed annexation will promote planned, orderly and efficient development.

Task 5: Coordination and Meetings

RBF will coordinate with City staff and the property owners and attend meetings, as necessary, to complete the above tasks. In addition, RBF will attend up to two LAFCo hearings on the annexation application.

Upon receiving a Notice to Proceed, RBF anticipates that Tasks 1 – 4 can be completed in approximately two weeks for City review. Revisions in response to the City's review will require approximately one additional week, depending on the extent of comments.

The following table provides a fee estimate to complete the above described tasks.

		Project Manager	Licensed Surveyor	Designer / Planner	Assistant Planner	Hours	Total Fee
	Rate	\$190	\$175	\$118	\$97		
Task							
1	Justification of Proposal	4				4	\$760
2	Legal Description and Proposal Map		4	32		36	\$4,476
3	Plan for Services	12		4	4	20	\$3,140
4	Open Space (Ag) Land Conversion	4				4	\$760
5	Project Coordination/Meetings	24				24	\$4,560
	Total Hours	44	4	36	4	88	\$13,696
	Reimbursables						\$500
						Total Fee	\$14,196

RESOLUTION 2011-_____

APPROVING AMENDMENT 1 TO THE PROFESSIONAL SERVICES AGREEMENT WITH RBF CONSULTING FOR THE FILIOS/DOBLER ANNEXATION AND DEVELOPMENT PROJECT, APPROPRIATE \$14,196 FROM THE REIMBURSEMENT AGREEMENT FUNDS, AND AUTHORIZE THE MAYOR TO EXECUTE THE AMENDMENT

WHEREAS, Grant Line Apartments, LLC and Dobler Family Trust requested annexation and other approvals for approximately 43 acres on the south side of Grant Line Road, west of and adjacent to the Tracy Marketplace Shopping Center, and

WHEREAS, On April 20, 2010, the City and RBF Consulting entered into a Professional Services Agreement for RBF Consulting to prepare an Environmental Impact Report (EIR) for the project (City Council Resolution 2010-048), and

WHEREAS, RBF Consulting completed the EIR prepared under the Agreement and the City Council certified the Final EIR on November 1, 2011, and

WHEREAS, The Local Agency Formation Commission (LAFCo) annexation application for this project requires a legal description, exhibit drawings, plan for services, and other technical and legal documentation, and

WHEREAS, RBF Consulting's recent experience in preparing the EIR for the project and their technical expertise enables them to complete the necessary LAFCo submittal requirements quickly, resulting in a selection procedure that is in the best interest of the City, and

WHEREAS, A Reimbursement Agreement is in place (City Council Resolution 2009-145) to ensure that the project applicant finances the costs of the professional services proposed under this Amendment 1 and all staff costs;

NOW, THEREFORE, BE IT RESOLVED, That City Council approves Amendment 1 to the Professional Services Agreement with RBF Consulting in the amount of \$14,196 for the preparation of LAFCo annexation documentation, appropriates funds from the Reimbursement Agreement, and authorizes the Mayor to execute the Amendment, contingent upon there being a cost recovery agreement in place and all terms of such agreement having been met.

* * * * *

Resolution 2011-_____

Page 2

The foregoing Resolution 2011-_____ was adopted by the City Council on the 6th day of December 2011, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

AGENDA ITEM 3

REQUEST

ACCEPTANCE OF THE CITY OF TRACY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXECUTIVE SUMMARY

The City's financial statements for the year ended June 30, 2011 have been audited by the City's independent auditing firm. This information has been incorporated into the City's Comprehensive Annual Financial Report (CAFR). This action accepts the CAFR.

DISCUSSION

The financial statements of the City of Tracy for the fiscal year ended June 30, 2011, have been prepared by the Finance and Administrative Services Department and examined by the independent accounting firm of Moss, Levy and Hartzheim. The audit was conducted in accordance with generally accepted auditing standards. It is the opinion of the auditors that the financial statements present fairly the financial position of the City as of June 30, 2011, and that the statements were prepared in conformity with generally accepted accounting principles. This means the financial statements of the City are accurate and that all monies are accounted for. There are no "hidden" funds and all financial matters have been identified within the financial statements.

Finance Staff incorporates the financial statements into a Comprehensive Annual Financial Report (CAFR), the purpose of which is to present an easily readable and organized report of the financial transactions of the City. A CAFR provides the many users of government financial statements with a wide variety of information needed to help them evaluate the financial condition of the City.

The City has won the Certificate of Achievement for Excellence in Financial Reporting for 23 consecutive years from the Government Finance Officers Association of America, for the preparation of this annual report.

Key Figures. This is the first year the City is required to produce its financial statements in conformity with the Governmental Accounting Standards Board (GASB) Statement 54. This new GASB requirement concerns mainly the designation of fund balance into use categories. In addition, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization must be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. As a result the CAFR can no longer list the Reserve for Economic Uncertainty Fund separately. However, the City is free to maintain this fund separately in subsidiary records. The General Fund balance of \$26,987,114 is actually comprised of \$18,985,100 in the General Fund and \$8,002,014 in the Reserve for Economic Uncertainty Fund.

Because of the economic downturn, the originally adopted budget for FY 10-11 anticipated a draw on reserves of \$4.8 million. Due to additional budget and expenditure

controls that occurred after July 1, 2010, as well as the receipt of \$900,000 in Measure E revenue (which the budget did not assume), the final actual figures for FY 10-11 indicate a draw on reserves of \$2,548,958. Results like this one are common for the City of Tracy. The City does attempt to capture changes with a newly adopted budget. Instead, the current status is documented in an approved budget and more emphasis is placed on ongoing cost reduction and continuous service improvement.

As noted the CAFR is presented in accordance with GASB standards. GASB statement 34 provides guidance to the structure of how financial statements should be presented. Financial information is reported in two categories, Government-wide financial statements and Business Type of Activities. Within these only the major funds of each are presented. However, the CAFR also contains a full reporting of all funds including minor funds.

Major Funds

Government-wide Major Funds

- General Fund
- Community Development Agency Housing
- North East Industrial Fund
- Community Development Agency Debt Fund

Of these only the General Fund is discretionary – meaning the City Council has authority to allocate these funds to whatever purposes desired by policy. As noted earlier, the fund balance of the General Fund as of June 30, 2011 is \$26,987,114 including \$8,002,014 in what the City has previously separated into the Reserve for Economic Uncertainty Fund and \$18,985,100 in the General Fund.

The North East Industrial Fund is comprised of monies collected for the specific purpose of completing a variety of infrastructure items to serve development in this area. These funds are only available for this purpose and cannot be used by the City for other purposes. The same is true for both funds of the Community Development Agency. The housing fund must be used for low and moderate income housing projects or assistance and the debt fund can only be used for debt service and other purposes of the Community Development Agency.

Major Proprietary Funds

- Water Utility Fund
- Municipal Airport Fund
- Sewer Utility Fund
- Solid Waste Fund
- Municipal Transit Fund
- Drainage Fund

All of the above funds are restricted in their purposes either through state or federal law. The City utility funds for example can only be used for the expenses (both direct and indirect) of operating these utilities. Transit and some airport funds are also restricted by federal law. As such, major proprietary funds of the City are non-discretionary.

Of significance the Solid Waste Fund had an operating loss for FY 10-11 of \$1.15 million. As a result, cash in this fund has been reduced to just \$667,000.

Non-Major Funds

SPECIAL REVENUE FUNDS

BUSINESS IMPROVEMENT DISTRICT FUND

Established to accumulate revenues from business licenses for subsequent transfer to the General Fund in order to provide donations to the Main Street Tracy Program.

ASSET FORFEITURE FUND

Established to account for the revenues that occur from asset seizures. They are specifically restricted for the purchase of law enforcement equipment and supplies.

PROPOSITION 1B FUND

Established to account for the revenues from the State of California generated by the issuance of general obligation bonds. The revenues are to be used for highway safety, traffic reduction, and air quality.

TRANSPORTATION DEVELOPMENT FUND

Established to account for the City's share of the quarter cent statewide transportation sales tax devoted to street maintenance purposes. The tax first goes to the Transportation Development Fund.

PROPOSITION K TRANSPORTATION FUND

Established to account for the City's share of the half cent transportation sales tax of San Joaquin County. It is used for street maintenance and repairs.

STATE GAS TAX STREET FUND

Established to account for the City's share of State-Imposed motor vehicle gas taxes, which are legally restricted to acquisition, construction, improvement, and maintenance of the City's streets.

TEA GRANT FUND

Established to account for the revenues from transportation efficiency act grant projects.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

Established to account for federal grant monies received from the U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grants.

LANDSCAPING DISTRICT FUND

Established to account for transactions of the City's landscaping benefit assessment districts.

RESIDENTIAL AND COMMERCIAL REHABILITATION LOAN FUND

Used to account for Department of Housing and Urban Development Fund (HUD) trust monies which are used for low interest loans to qualified borrowers for inner city rehabilitation projects in accordance with HUD agreements.

SOUTH COUNTY FIRE AUTHORITY FUND

This fund was established to account for revenues and liabilities of the Authority, which is a Joint Powers Agreement between the City and the Tracy Rural Fire District. The Authority is responsible for fire prevention and suppression in parts of the City and in surrounding unincorporated areas.

TRAFFIC CONGESTION RELIEF FUND

Established to account for revenues received from the State of California under AB2928. AB2928 is to fund local streets and roads maintenance, rehabilitation, and reconstruction projects according to the State's Traffic Congestion Relief Plan.

COMMUNITY ACCESS CTV FUND

Used to account for fees collected from City cable TV customers to cover expenses for videotaping and broadcasting the City Council meetings.

FEDERAL ARRA FUND

Established to account for Federal Recovery Act funds for construction to local streets and roads.

GROW TRACY FUND

To establish a fund to assist local business owners through the issuance of small business loans.

DEBT SERVICE FUNDS

2007 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the lease revenue bonds issued to 1) refund the prior Certificates of Participation and 2) finance the acquisition and construction of a fire station.

PARKS COP FUND

Established to accumulate funds for payment of certificates of participating (COP) principal and interest. This COP provided the resources to purchase the Tracy Community Park as well as other public facilities sites.

2008 LEASE REVENUE BONDS FUND

Established to accumulate funds for the payment of debt service on the 2008 lease revenue bonds that were originally issued to reflect prior certifications of participation and finance construction of certain City facility.

REGIONAL MALL COP DEBT SERVICE FUND

Established to accumulate funds for the payment of debt service on the COPs issued for public infrastructure in the West Valley Mall area. Funds are transferred from the general fund into this fund for this debt service.

CAPITAL PROJECTS FUNDS

RESIDENTIAL SPECIFIC PLAN PROJECTS FUND

Established to account for capital projects financed by fees levied on developers in the City's 1987 Residential Specific Plan area.

NORTH EAST INDUSTRIAL PLAN AREA # 2 FUND

Established to account for capital projects to separate development in the North East Industrial area of the City.

INFILL PROJECTS FUND

Established to account for capital projects financed through capital development fees levied upon developers in the City's infill areas.

I-205 AREA IMPROVEMENTS FUND

Established to account for monies received from the sale of bonds for the purpose of construction of various community facilities within a specific area in the City.

COMMUNITY DEVELOPMENT AGENCY CONSTRUCTION FUND

Established to account for construction projects related to the redevelopment project area. These projects are financed by tax increment monies from the City and the County of San Joaquin.

URBAN MANAGEMENT PLAN FACILITIES FUND

Established to account for expenditures for the planning, design, and construction of capital facilities required for new development beyond the current infill, Residential Specific Plan (RSP), and I-205 development.

CAPITAL PROJECTS DEPOSIT FUND

Established to account for monies received from developers, contractors, and other entities for the purpose of reimbursing the City for expenditures incurred in studies, research, etc., regarding their proposed development.

SOUTH MACARTHUR PLAN AREA FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

INDUSTRIAL SPECIFIC PLAN SOUTH FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

PRESIDIO PLAN AREA FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

REDEVELOPMENT OBLIGATIONS FUND

This fund is used to account for CDA grant proceeds used by the City to complete redevelopment projects.

TRACY GATEWAY AREA FUND

Established to account for projects to support development in a specific area of the City financed by assessments and/or development impact fees.

PLAN C FUND

Plan C is a development area of the City which was approved in 1998. Capital development fees levied on developers in this area and the related expenditures are accounted for in this fund

GENERAL PROJECTS FUND

Established to account for capital projects financial through transfers from the general fund.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below. Of significance, the Self-Insurance Fund had an operating loss for the year of \$1.2 million even after transferring in \$600,000 from available balances in the other internal service funds.

CENTRAL GARAGE FUND

Established to account for the maintenance of the City's fleet of vehicles which services the transportation needs of City departments and divisions.

CENTRAL SERVICES FUND

Established to account for monies received from various funds for postage, telephone, and copying charges.

EQUIPMENT ACQUISITION FUND

Established to account for the replacement of equipment utilized by City departments.

BUILDING MAINTENANCE FUND

Established to account for monies received from various funds for the repair and maintenance of all City owned and operated buildings.

INSURANCE FUND

Established to finance and account for the City's risk management and insurance programs.

AGENCY FUNDS

GASB Statement No. 34 requires that Agency Funds, the only fiduciary funds the City has, be presented separately from the Government-wide and Fund Financial Statements.

Agency Funds account for assets held by the City as an agent for individuals, government entities, and non-public organizations. These funds include the following:

87-3 ASSESSMENT FUND

Established to account for the assets held on behalf of the 87-3 Assessment District property owners until they are remitted to the bond trustee.

84-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 84-1 Assessment District property owners until they are remitted to the bond trustee.

89-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 89-1 Community Facilities District property owners until they are remitted to the bond trustee.

94-1 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 94-1 Community Facilities District property owners until they are remitted to the bond trustee.

93-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 93-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-1 Community Facilities District property owners until they are remitted to the bond trustee.

98-3 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 98-3 Community Facilities District Property owners until they are remitted to the bond trustee.

98-4 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 98-4 Community Facilities District property owners until they are remitted to the bond trustee.

99-1 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-1 Community Facilities District property owners until they are remitted to the bond trustee.

99-2 COMMUNITY FACILITIES DISTRICT FUND

Established to account for the assets held on behalf of the 99-2 Community Facilities District property owners until they are remitted to the bond trustee.

2000-01 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-01 Assessment District property owners until they are remitted to the bond trustee.

2000-02 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-02 Assessment District property owners until they are remitted to the bond trustee.

2006-01 NE INDUSTRIAL # 2 FUND

Established to account for the assets held on behalf of the 2006-01 Assessment District property owners until they are remitted to the bond trustee.

1999 I205 RESIDENTIAL REASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 93-2, 95-1, 96-1, 97-1, and 97-2 Assessment District property owners until they are remitted to the bond trustee.

2000-03 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2000-03 Assessment District property owners until they are remitted to the bond trustee.

2003-01 ASSESSMENT DISTRICT FUND

Established to account for the assets held on behalf of the 2003-01 Assessment District property owners until they are remitted to the bond trustee.

CULTURAL ARTS FUND

Established to account for deposits received for cultural arts projects within the City.

REGIONAL TRANSPORTATION IMPACT FUND

Established to account for transportation impact fees collected by the City and which are to be used for transportation mitigation purposes.

MEDICAL LEAVE BANK FUND

Established to account for amounts deposited from employees converted sick leave.

POSTEMPLOYMENT BENEFIT TRUST

Established to account for contributions on behalf of employees for postemployment benefits.

Discretionary vs. Non-Discretionary

Most of the above described funds are restricted in their use. There are a few funds however, which although currently designated for a purpose by the City, are in fact discretionary funds of the City. These are as follows:

- Residential Specific Plan Projects Fund
- General Projects Fund
- All Internal Service Funds

As of June 30, 2011 the City had \$5.5 million in the Residential Specific Plan Projects Fund. This fund originated as part of a developer impact fee program to pay for infrastructure items required by the City's Residential Specific Plan. Typically such funds are restricted for these matters. However, due to an agreement with developers of the RSP related to reimbursement, the City was provided the balance of such funds. Obsessively, the remaining money was to go to the construction of unfinished infrastructure items required by the RSP- most notably the MacArthur Road rerouting. However, the City is under no obligation to spend the money on a specific project. This fund has been categorized as capital, but the City Council could spend such funds as desired. In most recent years, this fund has been the source used for economic development purposes such as providing for the General Growth/Macy's improvements

as well as the gift card program for purchasing a new car at the Tracy Auto Mall during the height of the recession.

General Projects Fund

Most of the money in the General Projects Fund was derived through the refinancing of bond issues. As such, money generated through the bond refinancing is restricted to use for construction of specified projects. It is estimated that of these funds, approximately \$900,000 is truly discretionary to the City.

Internal Service Funds

The bulk of these funds are associated with the monies the City is putting aside for equipment replacement. For example, a fire engine may last 15 to 20 years. During that time the City sets aside a small amount each year toward the replacement of that engine. Then when the engine has reached the end of its useful life, the City has the funds on hand to replace the engine. The balance of this fund as of June 30, 2011 was \$7.5 million. Contributions to this fund were slowed by 50 percent for two consecutive years in order to preserve funds for City operations.

Funds within the Self-Insurance fund are to pay for claims which may have been incurred but not yet recorded.

Appropriate Financial Policy

Although the balance of the RSP fund and approximately \$900,000 of the General Projects Fund can be considered discretionary funds of the City their use to date has been considered toward one-time only types of uses such as capital projects and economic incentives. These funds do not have an ongoing source of replenishment. As such, once they are used, there will be no more. Hence using such funds for ongoing purposes such as to pay for increased salaries or benefits (ongoing) of City personnel would result in the City having the ongoing responsibility for the pay or benefits without having the ongoing source of revenue.

The amount of money in the various internal service funds is examined each year as part of the budget setting process. If funds have accumulated in the self-insurance fund for example, the rate charged through internal service charges is reduced. The goal is to keep these funds in relatively same financial position over time so as to avoid dramatic swings of increased or decreased rates.

Unfortunately, the financial situation in some cities has been so dire they have eliminated their equipment replacement funds. While this may have provided a short term source of funds to pay bills, it is done so at expense of long-term financial stability. If such a city has not dealt with the underlying cause of its budgetary problems, such action will only further result in fiscal chaos. In succeeding years such a city would no longer have the equipment replacement funds to tap into but yet the city still has its underlying budget issues. The end result is a city employing personnel to provide services and those personnel not having the appropriate equipment to do their job. Service levels in such a city would erode even further than if the city had dealt with the underlying budgetary issues.

Third Party Validation of City's Financial Management Practices

There is strong evidence by other organizations the City's financial management has been conservative, prudent, and accurate for over 20 years. In addition to the Certificate of Achievement for Excellence in Financial Reporting designation from the GFOA, the City has also received the GFOA Budget Presentation award for the last 23 years. This distinction denotes Tracy has presented its budget accurately, with clarity, and insight into governmental performance. Only 5 California cities have won more GFOA awards than Tracy.

Standard and Poors (S&P) recently completed a review of the City's financial condition in light of the City's current A+ bond rating. S&P affirmed the City's A+ bond rating noting the City's good financial management practices and moderate debt levels (see attached report). S&P noted a stable outlook for the City based upon Measure E for the next few years. However, S&P notes that if the City becomes even more heavily reliant on reserves to balance its budget, the rating could be lowered. A lower bond rating inevitably leads to higher interest rates for City issued debt, which leads to higher operating costs. A strong bond rating also conveys a reliable, stable environment to potential investors. This achievement is noteworthy given rating downgrades experienced by the federal government and other governmental institutions.

The CAFR is available for review on the City's website at www.ci.tracy.ca.us or at the City Clerk's office located in City Hall at 333 Civic Center Plaza.

STRATEGIC PLAN

Adoption of this item is a routine item and does not pertain to one of the City's seven strategic plans. However, strong financial management is critical as part of the Healthy Organization goal of the City.

FISCAL IMPACT

Complete financial information as of June 30, 2011 is contained in the CAFR.

RECOMMENDATION

It is recommended the City Council by resolution accept the June 30, 2011 Comprehensive Annual Financial Report as audited by Moss, Levy and Hartzheim.

Prepared by: Zane Johnston, Finance & Administrative Services Director
Approved by: Leon Churchill, Jr., City Manager

Attachment A: Standard & Poors
Global Credit Portal – Ratings Direct
Tracy Operating Partner Joint Powers Authority, California
Tracy; Appropriations

November 10, 2011

Summary:

Tracy Operating Partner Joint
Powers Authority, California
Tracy; Appropriations

Primary Credit Analyst:

Alda A Mostofi, San Francisco (1) 415-371-5061; alda_mostofi@standardandpoors.com

Secondary Contact:

Sussan Corson, New York (1) 212-438-2014; sussan_corson@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Tracy Operating Partner Joint Powers Authority, California Tracy; Appropriations

Credit Profile

Tracy Operating Partner Jt Pwrs Auth, California

Tracy, California

Tracy Operating Partner Jt Pwrs Auth lse rev bnds (Tracy) ser 2007A&B

Unenhanced Rating

A+(SPUR)/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'A+' long-term rating and underlying rating (SPUR) on the Tracy Operating Partner Joint Powers Authority, Calif.'s lease revenue bonds issued for the City of Tracy. The outlook is stable.

The appropriation ratings reflect our assessment of the city's:

- General creditworthiness; and
- Covenant to budget and appropriate lease payments.

The general creditworthiness includes our view of the city's:

- Very strong median household effective buying income levels, coupled with extremely strong market value per capita;
- Good financial management practices; and
- Moderate debt levels.

Partly tempering the above credit factors is our view of:

- Economic softening due to the slowdown in housing, and
- A projected structural budgetary imbalance in the general fund in the next few years.

The lease revenue bonds (LRB) represent an interest in lease payments made by the city, as lessee, to the authority, as lessor, for the use and possession of the leased assets. For the authority's series 2008 LRB, the city's covenant to budget and appropriate the full lease payment for use of the leased assets secures the debt service on the bonds although the city and the redevelopment agency have also entered into a reimbursement agreement that allows the city to use an amount of tax increment revenues toward lease payments. Lease payments are subject to abatement in the event of damage or destruction, though the city covenants to obtain rental interruption insurance sufficient to cover against 24 months' lease payments. The leased assets meet Standard & Poor's standard for seismic risk for the life of the bonds.

Tracy, in the eastern portion of San Joaquin County, is primarily a built-out residential community with access to employment throughout the Bay Area. Due to its convenient location and access to freeways, the city also has a growing light industrial and commercial base, with several warehouse distributors located within the city. Tracy's population increased by 17% to 81,548 in the seven years in 2010. Assessed valuation (AV) rose more than 200% in fiscal 2000 through 2007 to \$9.47 billion. Since fiscal 2009, however, AV has declined as the effects of the overall contraction in the housing market have taken their toll on the city's real estate values. Although the largest decline in AV took place in fiscal 2010 (21%), fiscal 2012 AV decline is still noticeable at nearly 5% to bring down the AV to \$6.8 billion. Despite the declines, per capita market value is very strong at \$81,808, in our view. Income indicators for Tracy are very strong, in our opinion, with household effective buying income (EBI) equal to 157% of national levels. Per capita EBI levels are good at 107% of the national average.

General fund revenues have declined steadily since fiscal 2007, mainly due to lower property and sales tax revenue collections. The city's fiscal 2010 revenues were 11.2% lower than in the prior year. However, the city projects this trend to reverse starting in fiscal 2011, as its unaudited actuals show a growth of 2% in revenues. The growth in revenues is mainly fueled by a voter-approved 0.5% sales tax levy that will expire in fiscal 2016. Based on the city's fiscal 2011 projections, the largest revenue source is property tax revenues (33%), followed by sales tax revenues (27%) and charges for service (19%).

For fiscal 2011, the city's financial report reflected a \$1.96 million operating deficit prior to transfers, the majority of which were from the city's economic uncertainty reserve. The city recorded an unreserved fund balance at the end of fiscal 2011 of approximately \$17.6 million, or 37% of expenditures, which we consider very strong. In addition, in preparation for lower residential permits and projected general fund revenue declines after Measure A (a 2000 voter-passed measure that effectively limits the amount of new construction), the city created an economic uncertainty reserve fund; at the end of fiscal 2011, the reserve fund held approximately \$8.5 million. The city has made transfers from its economic uncertainty fund to help mitigate the operational shortfall in prior years. With the use of the economic uncertainty fund, the city has been able to maintain its general fund balance throughout the past three years. The city's fiscal 2011 ending available fund balance, which includes both the unreserved general fund and the economic uncertainty fund, is approximately \$26 million, or 55% of expenditures, which we consider very strong. For fiscal 2012, the city projects that general fund revenues will increase by 7.5% but that it will continue to operate at a nearly \$2 million dollar deficit. However, management reports that the city would most likely end the year with a narrower deficit than what has been budgeted.

We consider Tracy's financial management "good" under our Financial Management Assessment (FMA) methodology. An FMA of "good" indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Policy highlights include a five-year capital improvement plan that matches funding sources to each project; a formal investment management policy; and a written reserve policy that considers tax stability, cash flow requirements, legal obligations, new operating programs, fund balance forecasts, and unfunded liabilities.

Debt ratios are what we consider moderate, with overall net debt per capita of \$3,759 and 4.4% of market value. The annual debt service carrying charge represents a low 7.5% of governmental expenditures, in our opinion, and amortization is below average, with 30% of tax-supported principal being retired in 10 years. The city participates in the California Public Employees' Retirement System, with the city contributing more than \$5.5 million a year toward the plan. The city also offers other postemployment benefits, which as of the end of fiscal 2010 had an unfunded actuarial accrued liability (UAAL) of \$2.3 million and which are funded on a pay-as-you-go basis. City

officials report that there are no additional bonding plans.

Outlook

The stable outlook reflects our anticipation that the city will continue to benefit from its voter-approved sales tax levy for the next few years. We believe that taxpayer support for the city's financial operations is significant. We expect the city to limit the use of its economic uncertainty fund to balance its budget. If, however, the city becomes even more heavily reliant on its reserves to balance its budget, we could lower the rating.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of November 10, 2011)

Tracy Operating Partner Jt Pwrs Auth, California

Tracy, California

Tracy Operating Partner Jt Pwrs Auth Ise (ASSURED GTY)

Unenhanced Rating

A+(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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RESOLUTION _____

ACCEPTANCE OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

WHEREAS, The financial statements of the City of Tracy for the fiscal year ended June 30, 2011, have been prepared by the City's Finance and Administrative Services Department, and

WHEREAS, The annual financial statements were examined by the independent public accounting firm of Moss, Levy and Hartzheim, and

WHEREAS, The City prepared the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011, and the auditor's opinion is included therein, and

WHEREAS, It is the opinion of the auditors that the financial statements present fairly the financial position of the City as of June 30, 2011, and that the statements were prepared in conformity with generally accepted accounting principles;

NOW, THEREFORE, BE IT RESOLVED, That the City Council does hereby accept the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

* * * * *

The foregoing Resolution _____ was passed and adopted by the Tracy City Council on the _____ day of _____, 2011 by the following vote:

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

Mayor

ATTEST:

City Clerk

AGENDA ITEM 4

REQUEST

PUBLIC HEARING TO CONSIDER A PROPOSED INCREASE TO SOLID WASTE RATES AND UPON COMPLETION OF THE PUBLIC HEARING ADOPT PROPOSED RATES

EXECUTIVE SUMMARY

The City's Solid Waste Fund is operating at a deficit for the second consecutive fiscal year. Based on financial forecasts, this deficit will continue to grow in Fiscal Year 2012/2013. A rate increase is needed to preserve the enterprise's economic health, to provide for increase costs, and to satisfy bond requirements. Staff is proposing a solid waste rate increase of 24% effective January 1, 2012. The last rate adjustment approved by City Council was in July, 2007.

DISCUSSION

The City of Tracy maintains a Franchise Agreement with Tracy Delta Disposal Service Inc. (Tracy Disposal) for the collection of solid waste within the City. The City also maintains a Service Agreement with Tracy Material Recovery and Solid Waste Transfer Inc. (Tracy MRF) for the recycling, composting, processing, and disposal of solid waste. The City bills for all of Tracy Disposal and Tracy MRF services within the City and maintains a Solid Waste Fund that receives all revenues from collection rates. The funds received from rate collection must be sufficient to cover:

- Tracy Disposal's Service Fees
- Tracy MRF Service Fees
- Disposal Expense (tipping fees), which is paid directly by the City
- Franchise Fees
- Bond covenant requirements, and
- Other expenses and reserves as are determined to be necessary by the City

In order to strategize a solution to the forecasted depletion of the Solid Waste Fund, R3 Consulting Group (R3) was retained by the City to perform a fiscal analysis and provide a Rate Review Report of the City's Solid Waste Fund (Exhibit "A"). The Professional Service Agreement scope of services required R3 to review the City's Solid Waste Fund operating budgets and provide a financial model used to adjust solid waste rates. An additional goal of the rate setting process was to establish fair and equitable distribution of costs among ratepayers.

The following factors were analyzed by R3 and City staff to determine that a rate increase was necessary:

Bond Requirements: Pursuant to the covenants of the bond requirements, a rate increase is warranted. The Bond Consent and Agreement states that the City shall cause the Waste System Debt Service Coverage Ratio to be equal to at least 1.3 to 1 for each calendar quarter. In the event that the Waste System Debt Service Coverage Ratio falls below 1.3 to 1 for any calendar quarter, the City shall increase the Waste System Revenues until the Waste System Debt Service Coverage Ratio is equal to at

least 1.3 to 1 by the next calendar quarter end. The City's Finance Department indicates that the current Waste System Debt Service Coverage Ratio is less than 1.3 to 1, thus justifying an increase in rates to raise revenues.

Operational Costs: Tracy Disposal continues to be the City's exclusive garbage collection and disposal franchise hauler. Tracy MRF continues to receive and process all municipal waste from the City of Tracy and plays an integral role in meeting the diversion requirements as mandated by AB939. Since the City's last rate increase in 2007, Tracy Disposal and Tracy MRF have taken the following steps to reduce operating costs:

Tracy Disposal

- Three roll-off trucks were taken out of service and three driver positions were eliminated.
- One residential truck was taken out of service and one driver position was eliminated.
- Routes were resized to obtain optimum efficiencies.
- Capital improvements were delayed except as required by the California Air Resources Board.
- A GPS tracking system was installed in all collection vehicles in order to perform route efficiency audits and driver performance reviews.

Tracy MRF

- One transfer truck was taken out of service and one transfer driver position was eliminated. Five sorter positions were eliminated.
- Overtime was reduced by staggering shifts to cover Monday – Saturday operating hours.
- The commodities stream is evaluated throughout the year, and when the market is down, products are blended and sorter positions are eliminated to balance the operating costs with the revenue from the sale of commodities.
- Capital improvements were delayed except as required by the California Air Resources Board.

Even with these cost reducing steps, Tracy Disposal and Tracy MRF continue to experience rising costs due to such factors as increased regulatory compliance to meet California Air Resources Board emission requirements for solid waste collection vehicles and processing equipment, fuel, and health insurance. Fuel costs year to date for 2011 are running \$3.90 per gallon as compared to \$2.70 in January, 2010. Health benefits continue to climb from 15% to 18% annually. Landfill disposal rates from 2007 to January 2012 will have increased 22.5%, which is a \$6.30 per ton increase, totaling an estimated \$341,000 additional cost for 2012. Tracy Disposal and Tracy MRF are requesting a 9.5% and 23% increase respectively for their portion of the fees pertaining to collection, recycling, composting, processing, disposal costs, and regulatory compliance.

Recyclable Material Revenues: Significant drops in the recyclable markets, although having staged a recent recovery, have also reduced revenues. The revenue received from recyclable material is used to help offset rates. The existing MRF permit limits the material and programs to what the City currently offers to the residents and businesses for waste reduction and diversion programs. Each time a new material, program or

technology is implemented an amendment to the current permit is required. The MRF's current permit is in the review process, as well as an application for a new permit. The new permit will allow more sustainable programs to be implemented, such as Construction and Demolition (C&D) and sorting and food waste programs.

City Franchise Fee: The existing franchise agreement provides for a franchise fee in the amount of 10%. This fee is a pass-through cost directly supported by solid waste rates. The fee amount should be included in rates in addition to all other fees and expenses of the contract provider. During the review of the City budget by Management Partners, it was noted that the City had only been collecting 3% of the allowable 10% franchise fee. Consequently, the City began collecting the 10% franchise fee and the solid waste fund balance was sufficient for a period of time to cover this amount until the next rate setting process, which would need to take the entire franchise fee of 10% into account when establishing new rates. The collection of the 10% franchise fee resulted in an additional cost to the Solid Waste Fund in Fiscal Year 2010/2011 of \$782,600 and a forecasted cost of approximately \$785,000 for Fiscal Year 2011/2012.

Additional Factors: The Solid Waste Fund has also been significantly affected by the housing market (foreclosures). Homes that are vacant do not pay for solid waste and recycling collection. This is lost revenue to the Solid Waste Fund, which, unlike water and sewer services, are not collected on foreclosed homes. There are approximately 800 vacant/foreclosed homes in Tracy without garbage service. Total solid waste Revenue for FY 2007/2008 was \$17,600,000 compared to FY 2010/2011 at \$16,000,000. The Solid Waste Fund is also being required per AB32 to implement a Mandatory Commercial Recycling Program enforceable by July 1, 2012. New rates for commercial recycling are included in Exhibit "B". Other factors considered were the contracted service costs and comparable rates for similar services in neighboring jurisdictions (see Exhibit "C").

Using the Solid Waste Fund Rate Model provided by R3 Consulting Group, several rate increase options were reviewed. At the City Council meeting of November 15, 2011, the City Council directed staff to proceed with a Public Hearing for the proposed rate increase of 24% effective January 1, 2012 to alleviate the revenue shortfall to the Solid Waste Enterprise Fund, provide a positive fund balance through Fiscal Year 2014/2015, and to meet debt service coverage ratios. Exhibit "B" provides a schedule of rate adjustments by individual service levels.

The rate increase is proposed for Fiscal Year 2011/2012 beginning on January 1, 2012. The City will continue to review operational balances to determine when additional increases will be needed in the future.

STRATEGIC PLAN

This agenda item supports the Organizational Effectiveness Strategy by assuring continued fiscal health.

FISCAL IMPACT

The standard residential garbage and recycling fee will increase from \$29.45 a month to \$36.50 a month effective January 1, 2012. All other rate increases for residential and commercial collection services are shown in Exhibit "B". The rate adjustment will increase revenue to the Solid Waste Enterprise Fund by approximately \$1,500,000 for Fiscal Year 2011/2012.

RECOMMENDATION

It is recommended that the City Council open the public hearing to consider a proposed increase to solid waste rates and upon close of the hearing, that the City Council adopt and approve the attached resolution to revise solid waste rates.

Prepared by: Jennifer Cariglio, Management Analyst I

Reviewed by: Kevin Tobeck, Director of Public Works
Zane Johnston, Director of Finance

Approved by: R. Leon Churchill, Jr., City Manager

Attachments: Exhibit A – R3 Fiscal Analysis of the Solid Waste Fund Study and Rate Review Report
Exhibit B – Proposed Solid Waste Rate Adjustments
Exhibit C – Comparable Jurisdiction Residential and Commercial Rates

RESOLUTION _____

ADOPTION OF PROPOSED INCREASE TO SOLID WASTE RATES

WHEREAS, The City's Solid Waste Fund is operating at a deficit for the second consecutive fiscal year, and

WHEREAS, A rate increase is needed to preserve the enterprise's economic health, to provide for increase costs, and to satisfy bond requirements, and

WHEREAS, The funds received from rate collection must be sufficient to cover:

- Tracy Disposal's Service Fees
- Tracy MRF Service Fees
- Disposal expense (tipping fees), which is paid directly by the City
- Franchise Fees
- Bond covenant requirements
- Other expenses and reserves as are determined to be necessary by the City, and

WHEREAS, R3 Consulting Group reviewed the City's Solid Waste Fund operating budgets and provided a financial model that can be used to adjust solid waste rates, and

WHEREAS, Pursuant to the covenants of the bond requirements, a rate increase is warranted, and

WHEREAS, The bond Consent and Agreement states that the City shall cause the Waste System Debt Service Coverage Ratio to be equal to at least 1.3 to 1 for each calendar quarter, and

WHEREAS, The City's Finance Department indicates that the current Waste System Debt Service Coverage Ratio is less than 1.3 to 1, thus justifying an increase in rates to raise revenues, and

WHEREAS, Since the City's last rate increase in 2007, Tracy Disposal and Tracy Material Recovery have implemented reductions in operating costs, such as reduced labor and utilization of new technology, and

WHEREAS, Tracy Disposal and Tracy Material Recovery continue to experience rising costs due to such factors as increased regulatory compliance to meet California Air Resources Board emission requirements for solid waste collection vehicles and processing equipment, fuel, and health insurance, and

WHEREAS, Landfill disposal rates from 2007 to January 2012 will have increased 22.5%, which is a \$6.30 per ton increase totaling an estimated \$341,000 additional cost for 2012, and

WHEREAS, Tracy Disposal and Tracy MRF are requesting a 9.5% and 23% increase respectively for their portion of the fees pertaining to collection, recycling, composting, processing, disposal costs, and regulatory compliance, and

WHEREAS, Significant drops in the recyclable markets have also reduced revenues, and

WHEREAS, The existing franchise agreement provides for a franchise fee in the amount of 10% which is a pass through cost directly supported by solid waste rates, and

WHEREAS, The City had only been collecting a 3% franchise fee, but began collecting the 10% franchise fee beginning in Fiscal Year 2010/2011, which resulted in an additional cost to the Solid Waste Fund in Fiscal Year 2010/2011 of \$782,600, and a forecasted cost of approximately \$785,000 for Fiscal Year 2011/2012, and

WHEREAS, The Solid Waste Fund has also been significantly affected by the housing market (foreclosures) since homes that are vacant do not pay for solid waste and recycling collection, and

WHEREAS, City Council directed staff at the City Council meeting on November 15, 2011, to proceed with a Public Hearing for the proposed rate increase of 24% effective January 1, 2012 to alleviate the revenue shortfall to the Solid Waste Enterprise Fund, provide a positive fund balance through Fiscal Year 2014/2015, and to meet debt service coverage ratios, and

WHEREAS, The rate adjustment will increase revenue to the Solid Waste Enterprise Fund by approximately \$1,500,000 for Fiscal Year 2011/2012, and

WHEREAS, The City Council held a public hearing at a regularly scheduled City Council meeting on December 6, 2011 on the proposed Solid Waste Rate increases, considered all the documentation and oral comments.

NOW, THEREFORE, BE IT RESOLVED That the City Council hereby adopts and approves the increased solid waste rates as depicted in Exhibit "B," which is attached to this resolution, effective January 1, 2012.

The foregoing Resolution _____ was passed and adopted by the Tracy City Council on the 6th day of December, 2011, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

EXHIBIT A

Financial Analysis of Solid Waste Fund



Presented to

The City of Tracy



November 1, 2011

Financial Analysis of Solid Waste Fund

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R3

Financial Analysis of Solid Waste Fund

Introduction

R3 Consulting Group (R3) was retained by the City of Tracy (City) to perform a Financial Analysis of the City's Solid Waste Fund and the related revenue requirements of Tracy Delta Disposal Service, Inc. (TDDS) and Tracy Material Recovery and Solid Waste Transfer, Inc. (Tracy MRF), (together Tracy Disposal or Company). In addition, we assisted City staff in the review of the City's financial model, including the development of modifications that will allow the City to analyze the changes that might be required in the solid waste rates in order to maintain appropriate cash flows and reserve balances in the Solid Waste Fund in future years.

We worked closely with both the City and the Company throughout the project.

Objective

To assist the City with:

- Review and analysis of the current cash flows of the Solid Waste Fund;
- Review and analysis of the City's Solid Waste Fund operating budgets, including data provided by Tracy Disposal;
- Review of current Operating Reserve balances;
- Review of the Solid Waste Fund financial model;
- Development of modifications to the financial model for the City's Solid Waste Fund; and
- Recommending adjustments to the City's rates to generate sufficient revenues to meet the projected revenue requirements and maintain the appropriate Operating Reserves in the City's Solid Waste Fund.

Background

City Solid Waste Fund

The City bills for all of Tracy Disposal's franchised services and operates a Solid Waste Fund that receives all revenues from the collection rates for Tracy Disposal. The City sets rates as needed to ensure sufficient funding of the Solid Waste Fund to meet all of its financial and related obligations. The monies received from the customer rates must be sufficient to cover:

- Tracy Disposal's Collection Service Fees;

R3

Financial Analysis of Solid Waste Fund

- Tracy MRF expenses
- Disposal expense, which is paid directly by the City;
- Franchise fees;
- Bond covenant requirements; and
- Such other expenses and reserves as are determined to be necessary by the City.

The Solid Waste Fund has operated at a deficit for the last two fiscal years, and the current customer service rates have not been adjusted since 2007. Initial projections indicate that the fund will continue to operate at a deficit unless customer rates are raised.

Approach

Cash Flows

Our review of the cash flows of the Solid Waste Fund included, but was not limited to, the following tasks:

- We reviewed the Solid Waste Fund operating statements and compared them to prior years statements for consistency;
- We reviewed the Solid Waste Fund operating budgets and projections for FY 11-12, through FY 13-14 and compared them to prior and current year financial reports for consistency and completeness.
- We reviewed annual variances in actual revenues and expenses between FY 09-10 and FY 10-11, and projections for FYs 11-12, 12-13 and 13-14 and obtained explanations for significant variances or changes in balances;
- We obtained support for the assumptions used to project line item revenues and expenses and reviewed that support for reasonableness;
- We agreed summary schedules to supporting schedules and worksheets;
- We reviewed historical, actual and projected rate revenues;
- Based on that initial review we met with City staff to discuss differences in calculated and projected rate revenues;
- We updated customer counts by service level and recalculated rate revenues using current rate schedules;

R3

Financial Analysis of Solid Waste Fund

- We reviewed operating budgets prepared and submitted by the Company for the collection operations and the Tracy MRF operations;
- We confirmed the accuracy of the Company's calculated revenue requirement and requested rate adjustment;
- We developed recommended adjustments to the Company's calculated revenue requirement; and
- We met with City and Company representatives to review results, and clarify outstanding issues.

Our review found that the Solid Waste Fund accounts for program expenditures in three areas, expenditures associated with the collection program, expenditures associated with the operation of the Tracy Materials Recovery Facility and expenditures associated with the administration of the Solid Waste Fund. During our review we noted no material items that required adjustment. Several minor changes were made to the projections based on updated actual year end numbers that were received during the time the project was being completed. However we did note the following items;

- *Tracy Disposal projected an annual average revenue shortfall for collection operations of approximately \$575,000 for FY 11-12 through FY 13-14;*
- *The Company's Tracy MRF budget projected an annual revenue shortfall of approximately \$1,045,000 for FY 11-12, \$1,360,000 for FY 13-14 and \$1,800,000 for FY 14-15; and*
- *The City's Solid Waste Fund budget, including the funding of franchise fees, projected an annual revenue shortfall of approximately \$691,000 for FY 11-12, \$695,000 for FY 13-14 and \$757,000 for FY 14-15.*

Review of Rate Sufficiency

Our procedures included a review of the ability of the current residential and commercial rates to support the appropriate program costs over the next three years while providing sufficient revenues to maintain an appropriate Operating Reserve balance.

Our review noted that the current residential and commercial rate structures have not been sufficient to support the appropriate programs or provide for the necessary Operating Reserve balance for the past two years and have in fact resulted in deficit spending requiring the use of Operating Reserve funds. In addition, the current residential and commercial rate structures will not be sufficient to support the Solid Waste Fund program costs in future years. As is shown in Table 1 below, revenues provided by the

R3

Financial Analysis of Solid Waste Fund

current rate structure will result in projected deficits of over \$8.4 million over the next three years.

Table 1 – Projected Deficit			
	FY 11-12	FY 12-13	FY 13-14
Revenues	\$16,467,700	\$16,864,640	\$16,953,240
Expenses	\$18,953,700	\$19,558,700	\$20,202,100
Deficit	\$(2,486,000)	\$(2,694,060)	\$(3,248,860)
Cumulative Deficit	\$(2,486,000)	\$(5,180,060)	\$(8,428,920)

Operating Reserve

Operating Reserves or unrestricted fund balances are a typical component of most businesses or utilities, and are similar to retained earnings or owners' equity in business enterprises. They are funds, usually accumulated over a number of years, which may be earmarked for a variety of uses. In the case of municipal collection operations these uses may include providing:

- Contingency funding to respond quickly to emergency conditions;
- Capacity to mitigate rate spikes and allow for more consistent rate adjustments; and
- Funding for all or a portion of planned capital costs (e.g., MRF Improvements).

We reviewed the appropriateness of the Solid Waste Fund Operating Reserve ("Operating Reserve") (the fund balance available at year end). The purpose of this reserve is to provide the ability to fund planned major expenses and/or effectively respond to unforeseen events or emergencies. Based on our review, we believe that a target reserve of between \$1.5 million and \$2.2 million is reasonable. We base this assessment on the following factors:

- The available reserve balance of \$2.2 million as of the end of FY 10-11 should be maintained at its current level or at least a level that would provide the Fund with sufficient revenue to fund approximately 30 days of operating expenses in an emergency. This would equate to a minimum reserve of approximately \$1.5 million and a maximum reserve of approximately \$2.2 million; and

R3

Financial Analysis of Solid Waste Fund

- The available reserve balance should be able to provide the Fund with sufficient revenue to fund unexpected capital needs.

Our review noted that the Operating Reserve balance at the beginning of FY 10-11 was approximately \$3.6 million. However, expenses for that year exceeded revenues by approximately \$1.4 million leaving the reserve with a balance of approximately \$2.2 million at the beginning of the current fiscal year. Without a rate increase, expenditures in FY 11-12 are projected to exceed revenues by \$2.48 million, which exceeds the available Operating Reserve balance. In addition, as is shown in Table 2 below, by the end of FY 13-14, the Operating Reserve would have a deficit balance of approximately \$6.2 million.

Table 2 – Operating Reserve Deficit				
	FY 10-11 (Actual)	FY 11-12 (Projected)	FY 12-13 (Projected)	FY13-14 (Projected)
Revenue	\$16,025,760	\$16,467,700	\$16,864,640	\$16,953,240
Expenses	\$17,472,650	\$18,953,700	\$19,558,700	\$20,202,100
Deficit	\$(1,446,880)	\$(2,486,000)	\$(2,694,060)	\$(3,248,860)
Beginning Operating Reserve	\$3,671,200	\$2,224,320	\$(261,680)	\$(2,955,740)
Ending Operating Reserve	\$2,224,320	\$(261,680)	\$(2,955,740)	\$(6,204,600)

Review of General Model Characteristics

R3 reviewed the worksheets used by the City to obtain a comprehensive understanding of the characteristics of the model and confirm mathematical accuracy and logical consistency. We then met with City staff to discuss our initial findings and obtain additional information about the types of information the City needed for future rate planning.

We found that the City’s worksheets consisted of several unlinked MS Excel files, including a rate worksheet. The rate worksheet showed each residential and commercial solid waste collection rate and included a breakdown of each rate into two or three program components; City, Collection, which were included in all rates, and Curbside Recycling and Yard Waste, which was only included in residential rates. Each component was designed to provide the funding for a specific solid waste program. We found that the City Component was actually intended to fund the cost

R3

Financial Analysis of Solid Waste Fund

incurred by the City to administer the Solid Waste Fund, and the costs associated with the Tracy MRF; the Collection component was intended to fund the costs of solid waste collection; and Curbside Recycling and Yard Waste component was intended to fund the costs of the collection of Recycling and Yard Waste from residential customers.

We noted that the worksheet did not include customer counts or a rate adjustment mechanism and thus could not be used to project revenues from rates or to project revenue changes based on rate adjustments. In addition, the worksheet was not linked to other spreadsheets used to project revenues and expenses for future years planning.

Simulation Modeling

To help achieve the City's goals and objectives, a simulation and sensitivity analysis model ("SSAM") was developed by modifying the City's rate and financial worksheets to allow simulation and sensitivity analysis utilizing MS Excel 2003 and Visual Basic for Applications ("VBA") programming. The model includes actual historical financial information for FYs 08-09 through 10-11 and projected financial information for FYs 11-2 through 13-14.

SSAM combines the City's rate worksheet (Rate Detail) with customer service level data (Census Summary) obtained from the City and current and projected financial data (FS) provided by the City and the Company. The rate, customer service level and financial data are linked on the FS worksheet of the model. The rate worksheet was modified to separate the City component of the rates, (which was providing funding for both City and Tracy MRF programs) into a City component and a Tracy MRF component. We also linked Rate Detail to the FS worksheet so that rates could be adjusted for each individual projected fiscal year (FY 11-12 – 13-14 and the revenue generated by those rates would be included in the financial data on FS.

Using SSAM, we reviewed the effects of applying several rate adjustment methodologies to the City's residential and commercial rates.

Limitations

SSAM and the accompanying analyses contain projections of revenues and expenses based on various assumptions and estimates provided by the City and the Company. While we reviewed those projections for reasonableness, actual results of operations will usually differ from projections because events and circumstances do not always occur as expected. Those

R3

differences may be significant and materially affect the analyses and findings presented in this report.

Assumptions and Guidelines

SSAM was developed using the following assumptions and guidelines.

- Rates should be sufficient to cover expenses and provide for an Operating Reserve balance of between \$1.5 million and \$2.2 million (the current balance) by the end of FY 13-14;
- Residential and commercial rates should be adjusted equitably;
- The revenues from the City, Tracy MRF, Collection and Curbside Recycling and Yard Waste components of the rates should support the expenses of each of those programs;
- The initial rate adjustment was assumed to be effective on January 1, 2012 with any additional rate adjustments to become effective July 1 of each Fiscal Year beginning July 1, 2012;
- Inflation percentages were accepted as provided in the financial data provided by the City; and
- Customer growth percentages were set at zero in accordance with discussion with City staff.

Rate Recommendations

Proposed Rate Adjustments

The Solid Waste Fund's current collection service rates are not sufficient to cover existing and projected operating expenses. And as discussed above, the available Operating Reserve funds are not sufficient to fund the current service levels through the end of the current fiscal year, (FY 11-12).

In order to provide adequate funding of the residential and commercial solid waste programs through FY 13-14 the City will need to implement one or more rate adjustments in future years. Using the Solid Waste Fund Rate Model, we developed three rate adjustment scenarios for review by the City.

Table 3 below sets forth a summary of the three rate adjustment scenarios that were developed for FY 11-12, FY 12-13 and FY 13-14, while Table 4 provides Operating Reserve balances for the same periods.

- Scenario 1 utilizes a single rate adjustment in FY 11-12 of 24.0%. This scenario requires the use of a portion of the

R3

Financial Analysis of Solid Waste Fund

Operating Reserves in FY 11-12 and FY 13-14 but allows the City to maintain the Operating Reserve at the recommended minimum levels in FY 12-13 and FY 13-14. Since this rate adjustment is implemented in a single year the total rate adjustment and the effective rate adjustment (the actual change in the rates over the three year period) are both 24.0%.

- Scenario 2 utilizes somewhat more moderate rate adjustments in FY 11-12, and small rate adjustments in FY 12-13 and FY13-14. This scenario requires the use of a portion of the Operating Reserves in FY 11-12 and allows the City to reach the recommended Operating Reserve balance by the end of FY 13-14 of approximately \$2.2 million. Since this rate adjustment is implemented in a three year period, the total rate adjustment and the effective rate adjustment (the actual change in the rates over the three year period) are not equal. Over the three years the proposed rate adjustments total 28.7% but the effective rate due to compounding is 31.0%.
- Scenario 3 again utilizes moderate rate adjustments in FY 11-12, FY12-13 and FY 13-14. This scenario requires the use of a significant portion of the Operating Reserves in FY 11-12 and allows the City to reach the recommended Operating Reserve balance by the end of FY 13-14 of approximately \$2.2 million. Since this rate adjustment is implemented in a three year period, the total rate adjustment and the effective rate adjustment (the actual change in the rates over the three year period) are not equal. Over the three years the proposed rate adjustments total 31.5% but the effective rate due to compounding is 35.0%.

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Financial Analysis of Solid Waste Fund

Table 3 – Summary Rate Adjustment Scenarios						
Fiscal Year	Scenario 1		Scenario 2		Scenario 3	
	Resi	Comm	Resi	Comm	Resi	Comm
FY 11-12 (Effective January 1, 2012)	24.0%	24.0%	17.7%	17.7%	12.0%	12.0%
FY 12-13 (Effective July 1, 2012)	0.0%	0.0%	6.0%	6.0%	10.0%	10.0%
FY 13-14 (Effective July 1, 2013)	0.0%	0.0%	5.0%	5.0%	9.50%	9.50%
Total Rate Change	24.0%	24.0%	28.7%	28.7%	31.5%	31.5%
Effective Rate Change	24.0%	24.0%	31.0%	31.0%	35.0%	35.0%

Table 4 - Projected Operating Reserve Balances			
	Scenario 1	Scenario 2	Scenario 3
FY 11-12	\$1,290,000	\$893,000	\$526,100
FY 12-13	\$1,694,000	\$1,443,500	\$878,500
FY 13-14	\$1,545,000	\$2,266,000	\$2,212,300

Recommendation

Our analysis of the impact of these rate adjustments indicates that Scenario One will result in the lowest overall rate adjustment, while allowing the City maintain the recommended Operating Reserve Balance in FY 12-13 and FY 13-14.

Based on the results of our evaluation of the effects of the proposed rate adjustments on the residential and commercial

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Financial Analysis of Solid Waste Fund

rates and the Operating Reserve balances over the three year projection period, we recommend that the City adopt the proposed rate adjustments set forth in Scenario 1.

Rates and Rate Comparison

Appendix A provides a schedule of the proposed rate adjustments under Scenario 1 by individual service level, as well as a comparison of the proposed rates to similar rates in surrounding jurisdictions.

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Appendix A



Proposed Rate Schedule

**Appendix A
Proposed Rates / Rate Comparison**

Service Level	City of Tracy				Dublin	Livermore	Lodi	Manteca	Mountain House	Stockton
	Current	Proposed	Rate Change							
	Rate	Rate	\$	%						
Residential										
64 gallon	\$29.45	\$36.50	\$7.05	24%	\$34.25	\$48.34	\$34.82	\$25.49	\$33.43	\$26.75
64 gallon (low income)	\$24.45	\$30.30	\$5.85	24%			\$21.45			
64 gallon (manual rate)	\$40.20	\$49.85	\$9.65	24%		\$76.49	\$47.63		\$66.74	
96 gallon	\$34.85	\$43.20	\$8.35	24%	\$49.85	\$80.21	\$75.90	\$30.02	\$37.98	\$32.40
96 gallon (low income)	\$27.10	\$33.60	\$6.50	24%			\$25.98			
Extra YW	\$7.00	\$8.70	\$1.70	24%				\$9.93	\$7.90	
Extra Recycle	\$5.00	\$6.20	\$1.20	24%					\$5.15	
Commercial and Industrial										
32 gallon cans:	\$16.80	\$20.85	\$4.05	24%	\$21.15		\$21.11	\$22.51		
64 gallon cans:	\$32.00	\$39.70	\$7.70	24%	\$38.83	\$62.43		\$36.78	\$27.79	\$40.08
96 gallon cans:	\$41.80	\$51.85	\$10.05	24%	\$56.48	\$101.27		\$48.72	\$36.67	\$45.58
Permanent Boxes										
1 1/2 yd hopper:	\$119.50	\$148.20	\$28.70	24%					\$125.30	\$120.52
2 yd hopper:	\$154.70	\$191.85	\$37.15	24%	\$180.92	\$206.58	\$176.28	\$97.44	\$168.92	\$129.54
3 yd hopper:	\$207.70	\$257.55	\$49.85	24%	\$271.38	\$309.87	\$224.40	\$120.05	\$255.23	\$158.04
4 yd hopper:	\$260.20	\$322.65	\$62.45	24%	\$361.84	\$413.17	\$272.58	\$146.72	\$341.49	\$174.80
6 yd hopper:	\$355.30	\$440.55	\$85.25	24%	\$542.76	\$632.87	\$368.85	\$196.06	\$513.57	\$252.55
8 yd hopper:	\$502.50	\$623.10	\$120.60	24%						
20 yd hopper:	\$319.30	\$395.95	\$76.65	24%				\$191.27	\$405.10	\$189.09
30 yd hopper:	\$417.80	\$518.05	\$100.25	24%				\$191.27	\$537.51	\$189.09
40 yd hopper:	\$513.80	\$637.10	\$123.30	24%				\$191.27	\$669.80	\$189.09
Temporary Boxes										
1 1/2 yd hopper:	\$32.80	\$40.65	\$7.85	24%	\$38.18				\$33.33	
2 yd hopper:	\$44.45	\$55.10	\$10.65	24%	\$50.90				\$46.57	
3 yd hopper:	\$62.65	\$77.70	\$15.05	24%	\$76.35				\$72.76	
4 yd hopper:	\$80.50	\$99.80	\$19.30	24%	\$101.80				\$99.05	
6 yd hopper:	\$112.95	\$140.05	\$27.10	24%	\$127.25				\$151.61	
8 yd hopper:	\$158.15	\$196.10	\$37.95	24%	\$178.15					
10 yard open refuse box:	\$223.30	\$276.90	\$53.60	24%	\$229.05			\$382.55	\$272.79	
20 yard open refuse box:	\$319.30	\$395.95	\$76.65	24%	\$509.00	\$429.85		\$382.55	\$405.10	
30 yard open refuse box:	\$417.80	\$518.05	\$100.25	24%	\$763.50	\$644.77		\$382.55	\$537.51	
40 yard open refuse box:	\$513.80	\$637.10	\$123.30	24%	\$1,018.00	\$859.70		\$382.55	\$669.80	
Permanent Compactors										
10 yd Stationary	\$258.35	\$320.35	\$62.00	24%	\$508.80				\$320.85	n/a
20 yd Stationary	\$388.00	\$481.10	\$93.10	24%	\$1,017.60	\$1,289.55			\$497.30	\$199.88
25 yd Stationary	\$452.85	\$561.55	\$108.70	24%	\$1,270.00	\$1,611.93			\$585.55	n/a
30 yd Stationary	\$517.65	\$641.90	\$124.25	24%	\$1,526.40	\$1,934.32			\$673.75	\$199.88
35 yd Stationary	\$582.50	\$722.30	\$139.80	24%	\$1,780.80	n/a			\$762.01	n/a
40 yd Stationary	\$647.30	\$802.65	\$155.35	24%	\$2,035.20	\$2,579.09			\$850.18	\$199.88
2 yd Self-contained	\$179.40	\$222.45	\$43.05	24%						
3 yd Self-contained	\$190.40	\$236.10	\$45.70	24%						
6 yd Self-contained	\$229.45	\$284.50	\$55.05	24%					\$259.10	
8 yd Self-contained	\$251.45	\$311.80	\$60.35	24%						
10 yd Self-contained	\$273.35	\$338.95	\$65.60	24%					\$320.84	
20 yd Self-contained	\$403.00	\$499.70	\$96.70	24%					\$497.30	
25 yd Self-contained	\$467.85	\$580.15	\$112.30	24%					\$585.55	
30 yd Self-contained	\$532.65	\$660.50	\$127.85	24%					\$673.75	
35 yd Self-contained	\$597.50	\$740.90	\$143.40	24%						

Exhibit B
City of Tracy
Solid Waste Fund Proposed Rate Increase As of January 1, 2012

Residential:	Jan. 1, 2012	
	Current Rate	Proposed Rate
64 gallon toters	\$ 29.45	\$ 36.50
Each additional 64 gal. toter	\$ 29.45	\$ 36.50
64 gallon toters - Low Income Ratepayers Asst. (LIRA) Program	\$ 24.45	\$ 31.50
64 gallon toters manual rate	\$ 40.20	\$ 49.85
96 gallon toters	\$ 34.85	\$ 43.20
96 gallon toters manual rate	\$ 45.60	\$ 56.55
Each additional recycling toter	\$ -	\$ 6.20
Each additional yardwaste toter	\$ 7.00	\$ 8.70
Each additional refuse bag	\$ 1.00	\$ 2.00

Commercial and Industrial:

32 gallon cans	\$ 16.80	\$ 20.85
64 gallon toters	\$ 32.00	\$ 39.70
96 gallon toters	\$ 41.80	\$ 51.85

Permanent Boxes:

1 1/2 yd hopper	\$ 119.50	\$ 148.20
2 yd hopper	\$ 154.70	\$ 191.85
3 yd hopper	\$ 207.70	\$ 257.55
4 yd hopper	\$ 260.20	\$ 322.65
6 yd hopper	\$ 355.30	\$ 440.55
8 yd hopper	\$ 502.50	\$ 623.10

Temporary Boxes:

(Fees are for each load that is picked up)

1 1/2 yd hopper	\$ 32.80	\$ 40.65
2 yd hopper	\$ 44.45	\$ 55.10
3 yd hopper	\$ 62.65	\$ 77.70
4 yd hopper	\$ 80.50	\$ 99.80
6 yd hopper	\$ 112.95	\$ 140.05
8 yd hopper	\$ 158.15	\$ 196.10

Open Loose Refuse Boxes:

(Fees are for each load that is picked up, based upon the base weight for each size of box)

10 yard open refuse box	\$ 223.30	\$ 276.90
Plus \$63.00 for each prorated ton in excess of 4,400 pounds regular refuse, or \$50.00 for each prorated ton in excess of 14,400 pounds of inert material (dirt, sand, gravel, brick, rock or concrete.)		

20 yard open refuse box	\$ 319.30	\$ 395.95
Plus \$63.00 for each prorated ton in excess of 8,100 pounds.		
30 yard open refuse box	\$ 417.80	\$ 518.05
Plus \$63.00 for each prorated ton in excess of 11,900 pounds.		
40 yard open refuse box	\$ 513.80	\$ 637.10
Plus \$63.00 for each prorated ton in excess of 15,600 pounds.		

Compactors:

(Fees are for each load that is picked up, based upon the base weight for each size of box.)

10 yd stationary compactor	\$ 258.35	\$ 320.35
Plus \$63.00 for each prorated ton in excess of 5,300 pounds.		
20 yd stationary compactor	\$ 388.00	\$ 481.10
Plus \$63.00 for each prorated ton in excess of 10,300 pounds.		
25 yd stationary compactor	\$ 452.85	\$ 561.55
Plus \$63.00 for each prorated ton in excess of 12,800 pounds.		
30 yd stationary compactor	\$ 517.65	\$ 641.90
Plus \$63.00 for each prorated ton in excess of 15,300 pounds.		
35 yd stationary compactor	\$ 582.50	\$ 722.30
Plus \$63.00 for each prorated ton in excess of 17,800 pounds.		
40 yd stationary compactor	\$ 647.30	\$ 802.65
Plus \$63.00 for each prorated ton in excess of 20,300 pounds.		
2 yd self-contained compactor	\$ 179.40	\$ 222.45
Plus \$63.00 for each prorated ton in excess of 1,650 pounds.		
3 yd self contained compactor	\$ 190.40	\$ 236.10
Plus \$63.00 for each prorated ton in excess of 2,100 pounds.		
4 yd self contained compactor	\$ 201.40	\$ 249.75
Plus \$63.00 for each prorated ton in excess of 2,500 pounds.		
6 yd self contained compactor	\$ 229.45	\$ 284.50
Plus \$63.00 for each prorated ton in excess of 3,600 pounds.		
8 yd self contained compactor	\$ 251.45	\$ 311.80
Plus \$63.00 for each prorated ton in excess of 4,450 pounds.		

10 yd self contained compactor	\$ 273.35	\$ 338.95
Plus \$63.00 for each prorated ton in excess of 5,300 pounds.		
20 yd self contained compactor	\$ 403.00	\$ 499.70
Plus \$63.00 for each prorated ton in excess of 10,300 pounds.		
25 yd self contained compactor	\$ 467.85	\$ 580.15
Plus \$63.00 for each prorated ton in excess of 12,800 pounds.		
30 yd self contained compactor	\$ 532.65	\$ 660.50
Plus \$63.00 for each prorated ton in excess of 15,300 pounds.		
35 yd self contained compactor	\$ 597.50	\$ 740.90
Plus \$63.00 for each prorated ton in excess of 17,800 pounds.		
40 yd self contained compactor	\$ 662.30	\$ 821.25
Plus \$63.00 for each prorated ton in excess of 20,300 pounds.		

Exhibit B
City of Tracy
Proposed Commercial Recycling Rate - 20% Discount As of January 1, 2012

		Jan. 1, 2012 Proposed Rate
Commercial and Industrial:		
32 gallon cans	\$	17.90
64 gallon toters	\$	33.95
96 gallon toters	\$	43.60
Permanent Boxes:		
1 1/2 yd hopper	\$	130.90
2 yd hopper	\$	169.70
3 yd hopper	\$	226.00
4 yd hopper	\$	280.40
6 yd hopper	\$	377.15
8 yd hopper	\$	538.40
Temporary Boxes:		
(Fees are for each load that is picked up)		
1 1/2 yd hopper	\$	35.55
2 yd hopper	\$	48.50
3 yd hopper	\$	68.70
4 yd hopper	\$	88.45
6 yd hopper	\$	124.55
8 yd hopper	\$	175.60
Open Loose Boxes:		
(Fees are for each load that is picked up, based upon the base weight for each size of box)		
20 yard open refuse box	\$	341.45
Plus \$50.00 for each prorated ton in excess of 8,100 pounds.		
30 yard open refuse box	\$	439.00
Plus \$50.00 for each prorated ton in excess of 11,900 pounds.		
40 yard open refuse box	\$	534.15
Plus \$50.00 for each prorated ton in excess of 15,600 pounds.		
Compactors:		
(Fees are for each load that is picked up, based upon the base weight for each size of box.)		
10 yd stationary compactor	\$	284.05
Plus \$50.00 for each prorated ton in excess of 5,300 pounds.		
20 yd stationary compactor	\$	412.20

Plus \$50.00 for each prorated ton in excess of 10,300 pounds.

25 yd stationary compactor	\$	476.50
Plus \$50.00 for each prorated ton in excess of 12,800 pounds.		

30 yd stationary compactor	\$	540.65
Plus \$50.00 for each prorated ton in excess of 15,300 pounds.		

35 yd stationary compactor	\$	604.70
Plus \$50.00 for each prorated ton in excess of 17,800 pounds.		

40 yd stationary compactor	\$	668.85
Plus \$50.00 for each prorated ton in excess of 20,300 pounds.		

2 yd self-contained compactor	\$	210.75
Plus \$50.00 for each prorated ton in excess of 1,650 pounds.		

3 yd self contained compactor	\$	221.50
Plus \$50.00 for each prorated ton in excess of 2,100 pounds.		

4 yd self contained compactor	\$	232.25
Plus \$50.00 for each prorated ton in excess of 2,500 pounds.		

6 yd self contained compactor	\$	259.55
Plus \$50.00 for each prorated ton in excess of 3,600 pounds.		

8 yd self contained compactor	\$	281.15
Plus \$50.00 for each prorated ton in excess of 4,450 pounds.		

10 yd self contained compactor	\$	302.85
Plus \$50.00 for each prorated ton in excess of 5,300 pounds.		

20 yd self contained compactor	\$	430.60
Plus \$50.00 for each prorated ton in excess of 10,300 pounds.		

25 yd self contained compactor	\$	494.85
Plus \$50.00 for each prorated ton in excess of 12,800 pounds.		

30 yd self contained compactor	\$	558.90
Plus \$50.00 for each prorated ton in excess of 15,300 pounds.		

35 yd self contained compactor	\$	623.40
Plus \$50.00 for each prorated ton in excess of 17,800 pounds.		

40 yd self contained compactor	\$	687.60
Plus \$50.00 for each prorated ton in excess of 20,300 pounds.		

**Exhibit C
Proposed Rates / Rate Comparison**

Service Level	City of Tracy*				Dublin	Livermore	Lodi	Manteca	Mountain House	Stockton
	Current	Proposed	Rate Change							
	Rate	Rate	\$	%						
Residential										
64 gallon	\$29.45	\$36.50	\$7.05	24%	\$34.25	\$48.34	\$34.82	\$25.49	\$33.43	\$26.75
64 gallon (low income)	\$24.45	\$30.30	\$5.85	24%			\$21.45			
64 gallon (manual rate)	\$40.20	\$49.85	\$9.65	24%		\$76.49	\$47.63		\$66.74	
96 gallon	\$34.85	\$43.20	\$8.35	24%	\$49.85	\$80.21	\$75.90	\$30.02	\$37.98	\$32.40
96 gallon (low income)	\$27.10	\$33.60	\$6.50	24%			\$25.98			
Extra YW	\$7.00	\$8.70	\$1.70	24%				\$9.93	\$7.90	
Extra Recycle	\$5.00	\$6.20	\$1.20	24%					\$5.15	
Commercial and Industrial										
32 gallon cans:	\$16.80	\$20.85	\$4.05	24%	\$21.15		\$21.11	\$22.51		
64 gallon cans:	\$32.00	\$39.70	\$7.70	24%	\$38.83	\$62.43		\$36.78	\$27.79	\$40.08
96 gallon cans:	\$41.80	\$51.85	\$10.05	24%	\$56.48	\$101.27		\$48.72	\$36.67	\$45.58
Permanent Boxes										
1 1/2 yd hopper:	\$119.50	\$148.20	\$28.70	24%					\$125.30	\$120.52
2 yd hopper:	\$154.70	\$191.85	\$37.15	24%	\$180.92	\$206.58	\$176.28	\$97.44	\$168.92	\$129.54
3 yd hopper:	\$207.70	\$257.55	\$49.85	24%	\$271.38	\$309.87	\$224.40	\$120.05	\$255.23	\$158.04
4 yd hopper:	\$260.20	\$322.65	\$62.45	24%	\$361.84	\$413.17	\$272.58	\$146.72	\$341.49	\$174.80
6 yd hopper:	\$355.30	\$440.55	\$85.25	24%	\$542.76	\$632.87	\$368.85	\$196.06	\$513.57	\$252.55
8 yd hopper:	\$502.50	\$623.10	\$120.60	24%						
20 yd hopper:	\$319.30	\$395.95	\$76.65	24%				\$191.27	\$405.10	\$189.09
30 yd hopper:	\$417.80	\$518.05	\$100.25	24%				\$191.27	\$537.51	\$189.09
40 yd hopper:	\$513.80	\$637.10	\$123.30	24%				\$191.27	\$669.80	\$189.09
Temporary Boxes										
1 1/2 yd hopper:	\$32.80	\$40.65	\$7.85	24%	\$38.18				\$33.33	
2 yd hopper:	\$44.45	\$55.10	\$10.65	24%	\$50.90				\$46.57	
3 yd hopper:	\$62.65	\$77.70	\$15.05	24%	\$76.35				\$72.76	
4 yd hopper:	\$80.50	\$99.80	\$19.30	24%	\$101.80				\$99.05	
6 yd hopper:	\$112.95	\$140.05	\$27.10	24%	\$127.25				\$151.61	
8 yd hopper:	\$158.15	\$196.10	\$37.95	24%	\$178.15					
10 yard open refuse box:	\$223.30	\$276.90	\$53.60	24%	\$229.05			\$382.55	\$272.79	
20 yard open refuse box:	\$319.30	\$395.95	\$76.65	24%	\$509.00	\$429.85		\$382.55	\$405.10	
30 yard open refuse box:	\$417.80	\$518.05	\$100.25	24%	\$763.50	\$644.77		\$382.55	\$537.51	
40 yard open refuse box:	\$513.80	\$637.10	\$123.30	24%	\$1,018.00	\$859.70		\$382.55	\$669.80	
Permanent Compactors										
10 yd Stationary	\$258.35	\$320.35	\$62.00	24%	\$508.80				\$320.85	n/a
20 yd Stationary	\$388.00	\$481.10	\$93.10	24%	\$1,017.60	\$1,289.55			\$497.30	\$199.88
25 yd Stationary	\$452.85	\$561.55	\$108.70	24%	\$1,270.00	\$1,611.93			\$585.55	n/a
30 yd Stationary	\$517.65	\$641.90	\$124.25	24%	\$1,526.40	\$1,934.32			\$673.75	\$199.88
35 yd Stationary	\$582.50	\$722.30	\$139.80	24%	\$1,780.80	n/a			\$762.01	n/a
40 yd Stationary	\$647.30	\$802.65	\$155.35	24%	\$2,035.20	\$2,579.09			\$850.18	\$199.88
2 yd Self-contained	\$179.40	\$222.45	\$43.05	24%						
3 yd Self-contained	\$190.40	\$236.10	\$45.70	24%						
6 yd Self-contained	\$229.45	\$284.50	\$55.05	24%					\$259.10	
8 yd Self-contained	\$251.45	\$311.80	\$60.35	24%						
10 yd Self-contained	\$273.35	\$338.95	\$65.60	24%					\$320.84	
20 yd Self-contained	\$403.00	\$499.70	\$96.70	24%					\$497.30	
25 yd Self-contained	\$467.85	\$580.15	\$112.30	24%					\$585.55	
30 yd Self-contained	\$532.65	\$660.50	\$127.85	24%					\$673.75	
35 yd Self-contained	\$597.50	\$740.90	\$143.40	24%						

* City of Tracy is required by a third party agreement with San Joaquin County to transport all refuse to Foothill Landfill in Linden, CA.

AGENDA ITEM 5

REQUEST

AUTHORIZE STAFF TO NEGOTIATE AN AGREEMENT WITH SAN JOAQUIN COUNTY AND, IF NECESSARY, WITH THE CITY OF STOCKTON, TO ASSUME RESPONSIBILITY FOR PROVISION OF LIBRARY SERVICES WITHIN THE CITY OF TRACY FOR TRACY AND COUNTY RESIDENTS

EXECUTIVE SUMMARY

The San Joaquin County (County) Public Library System serves residents of Tracy. The County contracts with the City of Stockton to provide library services in the City of Tracy (City). The primary source of funding for the County to operate the Tracy Library is 1% of local City and surrounding County property tax. The County collects that property tax which can only be used to provide library services. The amount of tax funding amounts fluctuates each year based on actual property tax revenues collected. Other annual sources of funding to operate the Tracy Library include City contributions to the City of Stockton, late fees and contributions when possible from the Tracy Friends of the Library (TFL). The City of Tracy owns and maintains the Library building which is paid from the City General Fund.

Staff is requesting that City Council authorize staff to negotiate with the County, and if necessary with the City of Stockton, for an agreement related to the City's assuming responsibility for operation of the Tracy Public Library, which would allow the City to provide library services in Tracy. Staff estimates that such an agreement would save the City's General Fund approximately \$290,000 annually as well as provide expanded services to patrons of the Tracy Library.

DISCUSSION

The City of Stockton operates 13 public libraries in the County free library system through a contract with the County. The Lodi Public Library is operated independently by the City of Lodi and is not part of the County Library system. Under this County-Stockton Agreement, the Tracy Public Library has been operated and staffed by the City of Stockton.

The County's funding base for library services is comprised primarily of property taxes. The decline in the assessed valuation of properties has significantly impacted funding of the Library System. As a result, Tracy residents have experienced reduced library hours and services levels over the past two years (some of those reductions are as a result of the City of Stockton's work furlough days).

Staff believes that the City would be better served if it was responsible for operating the Tracy Library. Staff believes that the City would be able to operate the Library in a similar manner and with expanded services from those that are now provided. Additionally the library could be operated more efficiently, with longer operating hours and with greater responsiveness. The County free library within the City would be

equally available to all who reside within the County, and all County residents would be afforded the same library privileges provided to the City's residents.

2010 County Request for Proposals to Contract County Library Services

In 2010, County staff was asked to explore options to operate the County Library branches. County staff, therefore, prepared a request for proposals (RFP), which was to be released on March 12, 2010. Prior to its issuance, the City of Stockton requested a delay in the release and requested the County to include the City of Stockton branches in the RFP process. On May 7, 2010, the joint City of Stockton-County RFP was released. The only response received was from Library Systems and Services (LSSI).

LSSI began in 1981 and has been operating public libraries in the United States since 1997. They operate over 41 community libraries in California and 70 libraries for 16 different agencies in five states which include Kansas, Oregon, Tennessee, Texas and California. The proposal received from LSSI indicated the firm would provide a number of service enhancements in relation to the current system including:

- Increase in books and materials
- Hours of operation not affected by furloughs
- Enhance financial and circulation reporting
- More policy control by County
- Performance benchmarking
- Lower cost operations
- Library jobs could be expected to increase

Ultimately the County Board of Supervisors voted to continue to contract with the City of Stockton. However, LSSI's proposal brought to light the possibility of operating the Tracy Public Library at a reduced cost with service level enhancements.

Process for Assuming Operation of the Tracy Public Library

Because the County operates the free library system, before the City could operate the library system in Tracy, the County would have to agree. As such, staff requests authorization to negotiate with the County and, if necessary, with the City of Stockton, to remove Tracy from the current contract arrangement and allow the City of Tracy to contract with San Joaquin County for the provision of library services. The purpose of this contract would be to allow the City to operate the Tracy library directly (rather than having its library operated by the City of Stockton), and to receive funding directly from the County from the County library operating budget. Staff's intention is to operate the Tracy library more efficiently, with longer operating hours, and with greater responsiveness to City residents. This Agreement would not constitute a withdrawal from the County free library system under Education Code section 19104 or 19104.5. Because the County already contracts its library services, a County/City agreement would be structured in a similar fashion as the County/City of Stockton agreement. The effect would be two County Library agreements instead of one.

Under the terms of the County/Stockton Agreement for Library Services, the agreement automatically renews on July 1 of each year for a one-year term. Either party has the right to terminate the agreement upon six months prior written notice. If the new County-

Tracy Agreement is approved, the County would notify the City of Stockton to replace or modify the County/Stockton agreement to remove Tracy services from this agreement. The County could also request that the City of Stockton work cooperatively with the City to achieve the transition to a City-operated library. An initial meeting with the City of Stockton in November 2011 yielded a willingness to be open to further discussions.

Staff believes it would be beneficial to start to operate the library sometime in 2012 and would work with City of Stockton staff to ensure a seamless operation and services to City and County residents during the transitional period.

The County free library system receives revenue from a separate 1% property tax for libraries, enacted before Proposition 13 in 1978. This property tax revenue generated by City of Tracy taxpayers and surrounding unincorporated area taxpayers was approximately \$1.2 million in fiscal year 2010-2011.

The City will request that the County pay the City its proportional share of the library operating budget, at least equal to the amount of property taxes collected from the City and surrounding unincorporated area for library purposes. Under a proposed agreement, the City would also request that it obtain its proportionate share of any federal or state funding provided for library services, including funding provided under the CLSA (California Library Services Act) for reciprocal activities, delivery systems, shared resources, district loan reimbursement, etc.

Financial Summary

Staff estimates that approximately \$1.2 million will be generated annually for the Tracy Library from tax revenue collected from Tracy and surrounding County residents by the County. This amount will fluctuate with property tax collected. San Joaquin County would be asked to forward one twelfth of the proportionate share of the Tracy library operating budget when the City begins operating the library.

Over the last four years the property tax trend has been a decrease resulting from lower property values in Tracy. The total is 32% over these 4 years. The declines have been approximately 6%, 19%, 3%, 4%. The two most recent years have been 3% and 4%. Although the past two years have not been as dramatic as the 19% decline in previous year, we have yet to get back to a zero change. Zero growth instead of negative could signal a stabilization of property tax. There is still some potential that any revenue source derived from property value (such as these funds for library operations) could still decline further. Conversely an increase in property value or future annexation would result in an increase in funding for library operations.

Historically, the City has provided General Fund contributions to maintain the library building, to provide additional open hours, and to purchase additional books and materials. Under this proposal, the City would receive approximately \$1.2 million annually to be placed in a dedicated library fund to be used only for library purposes.

For Fiscal Year 2011/2012, the General Fund is budgeted to provide \$193,000 for maintaining the library building, providing an additional 7 hours per week over the 35 hours provided by the City of Stockton and purchasing additional books and materials over those provided by the City of Stockton. This amount would be absorbed in the new

library budget resulting in a savings to the City of \$193,000. Additionally, approximately \$100,000 of the incoming library tax funds would also be reallocated to offset current City library overhead costs and related staff expenditures not currently captured in the Fiscal Year 2011/2012 library budget. The total General Fund savings would then be approximately \$290,000 annually.

Staff expects that additional funds would also be available over a longer period to begin building a reserve in the Library budget which would provide for needed building upgrades and equipment and enhanced building maintenance.

Benefits and Considerations

Currently, the City of Stockton operates the City library. If an agreement is reached with the County the City of Tracy could operate the City library with contracted services. The chart below summarizes the benefits and considerations of City assuming library services under a contract scenario:

	Benefits	Considerations
Tracy Operation of Tracy Library	<ul style="list-style-type: none"> • All library property tax revenue goes directly to City • Would completely offset the current City General Fund support to the library • Automated system available from contractor; Subject to annual fee • Complete control over library financing and budget • Complete control over library operations and planning • Contractor has personnel and staffing responsibilities • Greater control over facility room usage • Library hours/days could be increased • Property tax could increase with future annexation and increase of property values • Enhanced automated services • Higher and more predicable level of library materials acquisition • Local Friends of the Library would have greater input to local services 	<ul style="list-style-type: none"> • One time capital start up costs which could include books, interior modifications, equipment and software • The automated system and related records may need to be replaced. It is currently owned by the City of Stockton; subject to annual fee • Current City of Stockton Tracy Library staff could face possible lay-offs (Private contractor would be encouraged to consider employment of displaced Stockton employees) • Opt out plan would be needed if agreement with private contractor was ever terminated • Political considerations • County would have to renegotiate the Library Contract with the City of Stockton • Property tax could decrease • City staff would have to directly monitor the contractor

STRATEGIC PLAN

This agenda item supports the Organizational Efficiency Priority strategic plan and specifically implements the following goal and objectives:

Organizational Efficiency Priority

Goal 1: Advance City Council's fiscal policies

Objective 1a4: Strategically determine and implement contracted service opportunities

FISCAL IMPACT

There is no impact to the General Fund at this time. If an agreement is approved with the County authorizing City to operate Tracy library services then General Fund savings would be realized. This savings is estimated to be approximately \$290,000 annually.

RECOMMENDATION

That the City Council authorize staff to negotiate an agreement with San Joaquin County, and, if necessary, with the City of Stockton, to assume responsibility for provision of library services within the City of Tracy for Tracy and County residents.

Prepared by: Rod Buchanan, Director of Parks and Community Services

Reviewed by: Zane Johnston, Finance Director

Approved by: R. Leon Churchill, Jr., City Manager

AGENDA ITEM 6

REQUEST

ACCEPT A REPORT REGARDING THE FY 11/12 GENERAL FUND CAPITAL IMPROVEMENT PROJECT (CIP) PRIORITIZATION PROCESS AND TIMELINE AND DISCUSS, REVIEW, AND APPROVE THE PROPOSED CRITERIA AND SCORING

EXECUTIVE SUMMARY

This report describes the FY 11/12 General Fund CIP prioritization process and timeline and requests Council direction on the General Fund CIP proposed criteria and scoring.

DISCUSSION

On November 1, 2011, Council received a report regarding the General Projects Fund 301. In that report, background information was provided on the two funding sources contributing to the accumulation of 301 capital funds, which included revenues from past budget surpluses and proceeds from bond refinancing. Additionally, a listing of the projected likely revenues totaling an estimated \$7 million dollars that will be available for appropriation to Capital projects in the upcoming FY 12/13 CIP process. Additionally, a brief description of the CIP prioritization process, criteria, and timeline for FY 12/13 was included

This staff report expands on the General Fund CIP prioritization process, with an emphasis on the criteria and scoring utilized to rank the various CIP requests.

CIP Prioritization Process:

The General Fund CIP prioritization process was developed in 2008 due to the increase in number of CIP project requests and the reduction of Fund 301 money available to fund those projects. Staff developed a criteria based decision making process involving all departments prior to making recommendations to City Council for approval of such projects in the City's annual budget. Since then, the City has used this process during adoption of the FY 2008-09, 2009-10 and 2010-11 budgets.

Under this process, each department identifies CIP projects with a brief description and initial cost estimate (if available). After receipt of the project information, the Finance Department distributes the information to the Engineering Division of Development Services and starts reconciling all available General Project funds. The Engineering Division updates the project description, scope of work involved, and the preliminary cost estimates.

After updating the project information and General Project fund status, a meeting is held with representatives from all departments to further review the projects and the City's overall needs. Representatives of various departments involved in this process are listed in Attachment A. During this meeting, the projects are prioritized and ranked in accordance with established criteria to compete for the available General Project funds.

Each project is ranked and scored using the qualifying criteria listed in the CIP project scoring sheet (Attachment B). These areas range from Public Safety and Economic Development to sustainability. Representatives of each department are involved in the

scoring process. Based upon these scores, a priority list is prepared to compete for the available General Project funds.

Recommendations are then made to City Council for approval of the agreed upon prioritized project with allocated general funding for inclusion in the City's fiscal year budget. The remaining projects on the list are carried over for evaluation for the next fiscal year to complete with the new projects for the available funding. Also attached is the CIP Budget Preparation Schedule for FY 12/13 (Attachment C) for reference purposes.

The evaluation criteria were introduced in 2008 and have not changed since that time. Weighting of the criteria was considered, but not introduced in order to reduce complexity. Consideration to introduce weighting is logical given the City Council's strong articulation of city priorities. Weighting can be as simple as adding a multiplier of "2" for fiscal impact, economic development, public safety, or livability (sustainability) scores. The significance of weighting, however, would be diluted since four of the nine criteria would conceivably get the additional score. Most projects will score well in at least one of these categories.

This process is designed to eliminate overly subjective and biased evaluations. However, the quantitative component provides the foundation of the administrative staff's recommendation, and it should not be considered an overt restraint on the City Council's discretion. Staff recommendations consistently lean toward efficiency and financial performance. The City Council clearly has the ability to promote or demote projects as it sees fit when considering social equity and responsiveness needs in the Tracy community.

STRATEGIC PLAN

This agenda item relates to the Council's strategic plans in that the criteria for general fund CIP evaluations include Council's strategic priorities.

FISCAL IMPACT

This is an informational report only; there will be no fiscal impact to the General Fund.

RECOMMENDATION

That City Council accept the status report regarding the ranking process for general fund Capital Improvement Projects and current status of the projects

Prepared by: Kuldeep Sharma, City Engineer
Reviewed by: Andrew Malik, Development Services Director
Approved by: Leon Churchill, Jr., City Manager

Attachments: A – CIP Budget Team Members
B – CIP Project Scoring Sheet
C – FY 12/13 CIP Budget Preparation Schedule

ATTACHMENT A



CIP Budget Team
Members
FY 08 / 09

Department	Team Member	E-mail
CMO	Maria Hurtado	Maria.hurtado@ci.tracy.ca.us
DES	Andrew Malik	Andrew.malik@ci.tracy.ca.us
DES	Kul Sharma	Kul.sharma@ci.tracy.ca.us
DES	Bill Dean	William.dean@ci.tracy.ca.us
DES	Paul Verma	Paul.verma@ci.tracy.ca.us
FIN	Zane Johnston	Zane.johnston@ci.tracy.ca.us
FIN	Allan Borwick	Allan.Borwick@ci.tracy.ca.us
FIN	Linda Moniz	Linda.moniz@ci.tracy.ca.us
FIRE	Andrew Kellogg	Andrew.kellogg@ci.tracy.ca.us
CAO	Bill Sartor	Bill.sartor@ci.tracy.ca.us
PD	Dave Sant	David.sant@ci.tracy.ca.us
PW	Steve Bayley	Steve.bayley@ci.tracy.ca.us
PCS	Rod Buchanan	Rod.buchanan@ci.tracy.ca.us

CITY OF TRACY CIP PROJECT SCORING SHEET *(For Staff Use)*

CIP #: _____

PROJECT #: _____

PROJECT NAME: _____

RATER DEPARTMENT: _____

INSTRUCTIONS: Provide a score from 1 to 5 to assist in determining how well the project supports the stated criteria.
 1 = Does not support stated criteria. 3 = Neutral or moderate impact regarding stated criteria.
 5 = Supports or enhances stated criteria.
 Note: Highest and lowest scores from the group will be discarded and the remaining scores will be averaged to produce an AVERAGE ADJUSTED SCORE for a project.

CRITERIA		1	2	3	4	5	TL
Public Safety	Does the project eliminate or prevent an existing health, environment, or safety hazard? <i>Example: Improvements to playgrounds that would protect children from traffic or hazardous equipment.</i>						
Neighborhood / Community Impact	Does the project enhance property or increase quality of life within the City of Tracy? <i>Example: New ball fields or expansion</i>						
Legal Requirements	Is the project in accordance with state, local and federal laws or regulations? <i>Example: ADA compliance</i>						
General Plan	Does the Project advance the goals of the <u>City of Tracy's General Plan</u> ? <i>Example: Increase or expansion of Passive Recreation, Expansion of bikeways.</i>						
Population Served By Project	Who in the community/region will the project serve? <i>Example: All customers in City vs. a small segment of the population.</i>						
Fiscal Impact	Will the project have a net positive, neutral or negative impact on the City's finances? Does this project represent good financial value for the cost? Does the project have high ongoing operational and maintenance costs? What's the Phase-ability of the project? <i>Example: Upgrade in lighting might have a savings in energy costs. The ongoing O & M is significantly high and unbudgeted;</i>						
Life Expectancy	How long is the improvement expected to last? <i>Example: A new roof may extend the life of a building 20 years.</i>						
Economic Development	Does the project promote Economic Development Goals? infrastructure opportunity sites opportunity <i>Example: Enhances the City's Infrastructure (i.e. in undeveloped opportunity sites) Sports Park (Promotes Regional community draw & increases revenue (sales & TOT taxes)</i>						
Sustainability	Does the project promote sustainability efforts? <i>Example: Fuel efficient Vehicles, Sustains existing assets, results in energy-saving measures</i>						
TOTAL SCORE							

FY 12/13 CIP BUDGET PREPARATION SCHEDULE

TIMELINE		TASK
11/7/2011	11/7/2011	Budget Officer Distributes CIP Instructions and Materials
	12/5/2011	Departmental Staff Update Project Detail Sheets & Prepare New Project Proposals
	12/5/2011	Project Detail Sheets Due (To Finance <i>(Allan)</i> , DES <i>(Kul)</i> , & CMO <i>(Maria)</i>)
12/5/2011	1/26/2012	DES Obtains Cost Estimates and Scopes of Work
	1/26/2012	DES submits Completed Cost Estimates to Budget Officer
1/26/2012	2/15/2012	Budget Officer organizes CIP materials and submittals for Project Team Review
	2/15/2012	CIP Project Team Reviews General CIP Projects (3:00 p.m. - 5:00 p.m.)
	2/22/2012	CIP Project Team Reviews All CIP's and Makes Recommendations to CMO (3:00 p.m. - 5:00 p.m.)
	3/2/2012	CMO Reviews and Finalizes CIP's
3/5/2012	3/16/2012	Budget Officer prepares proposed CIP for Council Review
	3/20/2012	City Council CIP Workshop (Before regular City Council Meeting)
Revised 10/25/11		

AGENDA ITEM 7

REQUEST

PUBLIC HEARING TO CONSIDER AN AMENDMENT TO A PRELIMINARY AND FINAL DEVELOPMENT PLAN TO PERMIT THE DEVELOPMENT OF A SECOND PRELIMINARY AND FINAL DEVELOPMENT PLAN CONSISTING OF A 1,200,420 SQUARE FOOT INDUSTRIAL WAREHOUSE BUILDING ON A 160.34-ACRE SITE, LOCATED WEST OF AND ADJACENT TO 1605 AND 1705 NORTH CHRISMAN ROAD - APPLICANT IS KIER & WRIGHT; OWNER IS CATELLUS CORPORATE CENTER TRACY, LLC- APPLICATION D11-0009

EXECUTIVE SUMMARY

This application would allow for a second Preliminary and Final Development Plan to be approved on an industrial site, to allow for the construction of a 1,200,420 square foot industrial building with 2,579 auto parking spaces. The originally approved plan (dated March 2008) or the new plan could be constructed, allowing the property owner flexibility for marketing purposes for the site.

DISCUSSION

Background and Summary

In 1996, the City Council adopted the Northeast Industrial Areas Concept Development Plan (NEI) within which the project area is located. The site is Zoned Planned Unit Development (PUD), and is designated Industrial by the General Plan, and Light Industrial by the Concept Development Plan.

In accordance with Tracy Municipal Code Section 10.08.1830, the Planning Commission and the City Council shall review all Planned Unit Development Preliminary and Final Development Plans.

On February 27, 2008, the Planning Commission met and reviewed an application for three industrial warehouse buildings on this site for a total square footage of 2,812,833 across three buildings, to be constructed in multiple phases. The City Council, with a recommendation of the Planning Commission approved that project on March 18, 2008 and the first phases of two of the buildings were constructed in 2008 to house the Crate and Barrel distribution center.

The current proposal is an amendment to the Preliminary and Final Development Plan (PDP/FDP) in order to allow for an alternative site plan and building configuration to be constructed, with different architecture than that originally approved. This would equate to two different Preliminary and Final Development Plans (PDP/FDPs) permitted on the site, allowing the property owner to choose. This provides additional flexibility and the ability to be more nimble and competitive in attracting users with a wider range of building needs.

Site and Project Area Description

The project site is located on the west side of Chrisman Road, west of and adjacent to the two buildings located at 1605 and 1705 North Chrisman Road (Attachment A). The site is designated Light Industrial by the Northeast Industrial (NEI) Concept Development Plan. The adjacent parcels to the north and east are also designated Light Industrial by the Concept Development Plan. To the south of the project is land outside of the current City Limits, and is designated Industrial by the General Plan. The properties to the west of the project are within the Industrial Areas Specific Plan, and are mostly developed with manufacturing and warehouse uses.

The proposed project would amend the existing PDP/FDP approval in order to allow for a larger warehouse building at 1,200,420 square feet located next to the two existing warehouses on the site, one of which is complete, and one of which could still be expanded. The original project approval consists of three industrial buildings with office areas and other accessory uses, totaling 2,812,833 square feet (Attachment B). The first phase of Buildings 1 and 2 was constructed in 2008 and contains warehouse and distribution facilities, office area, and a portion for future retail sales for Crate and Barrel. The size of those existing buildings totals 1,225,680 square feet. The second phases of Buildings 1 and 2 have not yet been constructed, nor has Building 3.

With the need for greater flexibility, the property owner has proposed an amendment to the PDP/FDP in order to allow the third building (now called Building 9) to be constructed with a larger footprint than previously proposed, and with a revised site layout (Attachment C). The proposed revision to the PDP/FDP would not replace the 2008 approval, but rather be an alternative Final Development Plan approval for the project site. The applicant may then determine which approved project to construct at the time they apply for building permits.

The new building proposed has a footprint of 1,200,420 square feet, with 35,640 square feet of office area, and a 238,595 square foot mezzanine, with the remainder for warehouse use. The location of the proposed new building is adjacent to and west of the two existing buildings, with truck docks on the west side, and employee parking surrounding the remainder of the building (Attachment C). The site plan layout also shows a future expansion for the existing Building 7 (Building 2 in the original approval).

The proposed additional PDP/FDP for the project site is well suited for the location, as the site is located within the Light Industrial area of the NEI Concept Development Plan in an area where roadways and infrastructure have been designed for industrial development. The surrounding sites are planned for or have existing similar uses.

The total square footage of the first PDP/FDP approval is 2,812,833, and the total square footage for this alternate PDP/FDP is 2,653,053.

Architecture

The proposed building consists of concrete tilt-up construction, with base and accent colors. Attachment D shows the architectural features of the building as well as the proposed colors and materials. The building is enhanced with several reveals and varying materials, including glass storefront office areas and accent colors, as well as glass

accents high on the building. The variation in the roofline, as well as the façade breaks at the office area help to add visual interest to the large building. The variation of architectural features adds visual interest to the buildings from each elevation view, as the reveals and accent colors have been carried around the rear and sides of the building.

The roofline of the building varies in height, with vertical relief added by false parapets being stepped up and down in numerous locations. These variations cause the building height to vary from 38 feet to 44 feet across the façade, which is in compliance with the maximum height of 46 feet within the NEI Concept Development Plan.

Landscape Areas

As shown on the preliminary landscape plan (Attachment E), the landscape areas proposed meet the requirements of Tracy Municipal Code Section 10.08.3560, and the requirements of the Northeast Industrial Areas Concept Development Plan.

A combination of trees, shrubs and groundcover are proposed for the landscape areas. A recommended condition of approval requires the developer to submit a detailed landscape and irrigation plan for approval by the Development and Engineering Services Director prior to the issuance of any building permits. All landscape and irrigation improvements are to be designed and installed in compliance with the requirements of the Water Efficient Landscape Guidelines, Tracy Municipal Code, Northeast Industrial Areas Concept Development Plan, and all other applicable City standards. In addition, a recommended condition of approval requires that prior to the issuance of any building permits, an Agreement for Maintenance of Landscape and Irrigation Improvements is to be executed, and financial security submitted to the Development Services Department. The agreement will ensure maintenance of the on-site landscape and irrigation improvements for a period of two years.

Parking and Circulation

The site will utilize an existing access point from Chrisman Road and one from Paradise Road. Parking is distributed throughout the project site to accommodate the parking needs of the proposed new building. The project proposes 2,579 auto parking spaces to serve the new building, which is greater than the number of parking spaces that would be required per the NEI Concept Development Plan. The larger number than typical allows a wider range of potential users of the building, including those with a high demand for employee parking. The site plan provides for adequate circulation movements on the site for employee and customer parking, as well as truck traffic (Attachment C).

Environmental Document

The project is consistent with the Environmental Impact Report (EIR) that was prepared for the Northeast Industrial Areas Concept Development Plan and certified in 1996. In accordance with CEQA Guidelines Section 15183, no further environmental assessment is required. An analysis of the project shows that there will be no significant on or off-site impacts as a result of this particular project that were not already discussed in the Northeast Industrial Areas Concept Development Plan EIR. There is also no evidence of any significant impacts to occur off-site as a result of the project, as traffic, air quality, aesthetics, land use and other potential cumulative impacts have already been considered

within the original environmental documentation. No new evidence of potentially significant effects has been identified as a result of this project.

PLANNING COMMISSION DISCUSSION

The Planning Commission met and discussed this item on November 16, 2011, and by unanimous vote, recommended that the City Council approve the project as proposed. They discussed potential traffic impacts, the phasing of construction for the proposed building, and the Floor Area Ratio of the buildings on the site prior to their recommendation of approval. They also noted that the flexibility gained by having options for construction may put Tracy in a better position for attracting business in the future.

FISCAL IMPACT

This agenda item will have no fiscal impact.

STRATEGIC PLAN

This agenda item will assist in the implementation of the Economic Development Strategic Plan by furthering Goal number 1, which is creating jobs that match with the skill set of Tracy residents.

RECOMMENDATION

Staff and the Planning Commission recommend that City Council approve an amendment to the Preliminary and Final Development Plan to permit the development of a second PDP/FDP consisting of a 1,200,420 square foot industrial building on the 160.34-acre site, located west of and adjacent to 1605 and 1705 North Chrisman Road, Application Number D11-0009, subject to the conditions and based on the findings contained in the City Council Resolution dated December 6, 2011.

Prepared by Victoria Lombardo, Senior Planner

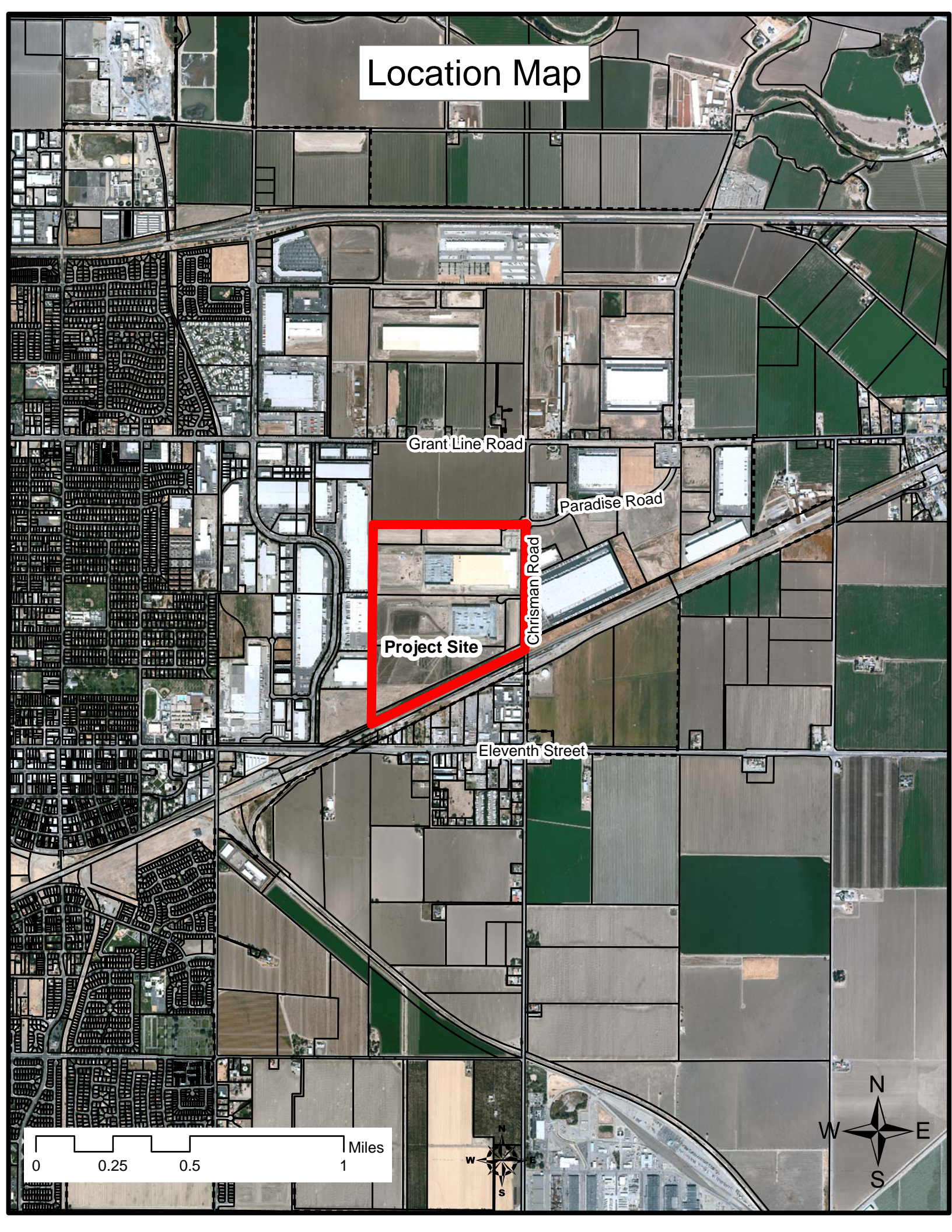
Reviewed by Bill Dean, Assistant DES Director

Approved by Andrew Malik, Development Services Director

ATTACHMENTS

- A— Location Map
- B— Previously Approved Site Plan
- C— Site Plan, Floor Plans, Elevations, Landscape Plan
- D— Color Renderings
- E— Preliminary Landscape Plan

Location Map



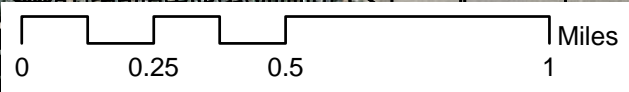
Grant Line Road

Paradise Road

Chrisman Road

Project Site

Eleventh Street



RESOLUTION _____

APPROVING AN AMENDMENT TO THE PRELIMINARY AND FINAL DEVELOPMENT PLAN TO PERMIT THE DEVELOPMENT OF A SECOND PDP/FDP CONSISTING OF A 1,200,420 SQUARE FOOT INDUSTRIAL WAREHOUSE BUILDING LOCATED ON THE 160.34-ACRE SITE, ADJACENT TO AND WEST OF 1605 AND 1705 N. CHRISMAN ROAD - ASSESSOR'S PARCEL NUMBERS 250-020-82, 83, 85 AND 87
APPLICATION NUMBER D11-0009

WHEREAS, The subject property was annexed to the City of Tracy in 1996, received a zoning designation of Planned Unit Development, is designated Light Industrial in the Northeast Industrial Concept Development Plan, and is consistent with the General Plan designation of Industrial, and

WHEREAS, Kier & Wright, on behalf of Catellus Corporate Center Tracy, LLC, submitted an application for a Planned Unit Development Preliminary and Final Development Plan Amendment (Application Number D11-0009) for a 1,200,420 square foot industrial warehouse building on October 24, 2011, and

WHEREAS, The existing PDP/FDP for this 160.34-acre site, approved by the City Council on March 18, 2008 will remain in place, and this amendment will allow for a second (alternative) PDP/FDP to be allowable on the site, and

WHEREAS, The subject property is located within the Northeast Industrial Concept Development Plan area, with a land use designation of Light Industrial, within which industrial land uses are permitted, and

WHEREAS, The Planning Commission conducted a public hearing to review and consider the application on November 16, 2011 and, by adoption of a resolution, recommended City Council approval of the proposed project, and

WHEREAS, The City Council conducted a public hearing to review and consider the application on December 6, 2011;

NOW, THEREFORE BE IT RESOLVED, That the City Council does hereby approve the Preliminary and Final Development Plan Amendment to permit the development of a second PDP/FDP consisting of a 1,200,420 square foot industrial warehouse building, Application D11-0009, subject to the conditions contained in Exhibit 1 to this Resolution, and based on the following findings:

1. The establishment, maintenance, and operation of the proposed use and associated structure is compatible with the land use, design, and operational characteristics of the neighboring properties. It will not, under the circumstances of the particular case or as conditioned, be injurious or detrimental to the health, safety, or general welfare of persons or property in the vicinity of the proposed use and its associated structure, or to the general welfare of the City because the project is consistent with the land use, design, and other elements of the Northeast Industrial Concept Development Plan, the City of Tracy General Plan, and applicable requirements of Chapter 10.08 of the Tracy Municipal Code, including, but not limited to, Article 26, Off-Street Parking Requirements, and Article 30, Development Review.

- 2. The project will not adversely affect or impair the benefits of occupancy, most appropriate development, property value stability, or the desirability of property in the vicinity because the architectural elements of the project as designed and conditioned are a quality addition to the vacant parcel, and will not adversely visually impair the benefits of the properties in the vicinity. The project also includes greater setbacks than the required minimum, vertical and horizontal variation in the building faces, and significant landscape improvements both adjacent to the building and in the parking area.

- 3. The project, as designed and conditioned, will not cause any significant environmental impact, because it is consistent with the Northeast Industrial Concept Development Plan and its Environmental Impact Report as adopted by the City Council in 1996. The project is consistent with the land use, design, and other elements of the Northeast Industrial Areas Concept Development Plan, the City of Tracy General Plan, and applicable requirements of the Tracy Municipal Code.

The foregoing Resolution _____ was adopted by the Tracy City Council on the 6th day of December, 2011, by the following vote:

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:
ABSTAIN:	COUNCIL MEMBERS:

Mayor

ATTEST:

City Clerk

Exhibit 1 - Development and Engineering Services Department Conditions of Approval

**Conditions of Approval for Prologis Park Tracy, Phase II
1,200,420 square foot industrial warehouse building
West of and adjacent to 1605 and 1705 N. Chrisman Road
Application Number D11-0009
November 16, 2011**

These Conditions of Approval shall apply to the real property described as Prologis Park Tracy, Phase II, a 1,200,420 square foot industrial building located West of and adjacent to 1605 and 1705 N. Chrisman Road. Application Number D11-0009 (hereinafter "Project"), located on a 160.34-acre site, Assessor's Parcel Numbers 250-020-82, 83, 85 and 87.

1. The following definitions shall apply to these Conditions of Approval:

- a. "Applicant" means any person, or other legal entity, defined as a "Developer".
- b. "City Engineer" means the City Engineer of the City of Tracy, or any other duly licensed engineer designated by the City Manager, or the Development and Engineering Services Director, or the City Engineer to perform the duties set forth herein.
- c. "City Regulations" means all written laws, rules, and policies established by the City, including those set forth in the City of Tracy General Plan, the Tracy Municipal Code, Northeast Industrial Concept Development Plan, ordinances, resolutions, policies, procedures, and the City's Design Documents (including the Standard Plans, Standard Specifications, Design Standards, and relevant Public Facility Master Plans).
- d. "Development and Engineering Services Director" means the Development and Engineering Services Director of the City of Tracy, or any other person designated by the City Manager or the Development and Engineering Services Director to perform the duties set forth herein.
- e. "Conditions of Approval" shall mean the conditions of approval applicable to Prologis Park Tracy Phase II, a 1,200,420 square foot industrial building located west of and adjacent to 1605 and 1705 N. Chrisman Road. Application Number D11-0009, located on a 160.34-acre site, Assessor's Parcel Numbers 250-020-82, 83, 85 and 87. The Conditions of Approval shall specifically include all Development and Engineering Services Department, including Planning Division and Engineering Division, conditions set forth herein.
- f. "Project" means the real property consisting of approximately 160.34 acres located west of and adjacent to 1605 and 1705 N. Chrisman Road, Assessor's Parcel Number 250-020-82, 83, 85, and 87.
- g. "Subdivider" means any person, or other legal entity, who applies to the City to divide or cause to be divided real property within the Project boundaries, or who applies to the City to develop or improve any portion of the real property within the Project boundaries. The term "Developer" shall include all successors in interest.

Planning Division Conditions of Approval:

1. The Developer shall comply with all laws (federal, state, and local) related to the development of real property within the Project, including, but not limited to: the Planning and Zoning Law (Government Code sections 65000, et seq.), the Subdivision Map Act (Government Code sections 66410, et seq.), the California Environmental Quality Act (Public Resources Code sections 21000, et seq., "CEQA"), and the Guidelines for California Environmental Quality Act (California Administrative Code, title 14, sections 1500, et seq., "CEQA Guidelines").
2. Unless specifically modified by these Conditions of Approval, the Developer shall comply with all City Regulations.
3. Unless specifically modified by these Conditions of Approval, the Developer shall comply with all mitigation measures identified in the General Plan Environmental Impact Report, dated February 1, 2011 and the Northeast Industrial Concept Development Plan Environmental Impact Report.
4. Pursuant to Government Code section 66020, including section 66020(d)(1), the City HEREBY NOTIFIES the Developer that the 90-day approval period (in which the Developer may protest the imposition of any fees, dedications, reservations, or other exactions imposed on this Project by these Conditions of Approval) has begun on the date of the conditional approval of this Project. If the Developer fails to file a protest within this 90-day period, complying with all of the requirements of Government Code section 66020, the Developer will be legally barred from later challenging any such fees, dedications, reservations or other exactions.
5. Except as otherwise modified herein, all construction shall be consistent with the site plan and architectural renderings received by the Development and Engineering Services Department on October 24, 2011.
6. Prior to the issuance of a building permit, the applicant shall provide a detailed landscape and irrigation plan consistent with City landscape and irrigation standards, including, but not limited to Tracy Municipal Code Section 10.08.3560 Northeast Industrial Concept Development Plan, and Water Efficient Landscape Guidelines on private property, and the Parks and Parkways Design Manual for public property, to the satisfaction of the Development and Engineering Services Director. Said landscape plans shall include documentation which demonstrates that there is no less than 20 percent of the parking area in landscaping, and 40 percent canopy tree coverage at tree maturity.
7. Where landscape planters are parallel and adjacent to vehicular parking spaces, the planter areas shall incorporate a 12-inch wide concrete curb along their perimeter that is adjacent to the parking space in order to allow access to vehicles without stepping into landscape planters.
8. Prior to the issuance of a building permit, an Agreement for Maintenance of Landscape and Irrigation Improvements shall be executed and financial security submitted to the Development and Engineering Services Department. The Agreement shall ensure

maintenance of the on-site landscape and irrigation improvements for a period of two years. Said security shall be equal to the actual material and labor costs for installation of the on-site landscape and irrigation improvements, or \$2.50 per square foot of on-site landscape area.

9. No roof mounted equipment, including, but not limited to, HVAC units, vents, fans, antennas, sky lights and dishes whether proposed as part of this application, potential future equipment, or any portion thereof, shall be visible from Chrisman Road, Paradise Road, Grant Line Road, or any other public right-of-way. All roof-mounted equipment shall be screened from view from the public right-of-way with a continuous parapet wall at least equal in height to the height of any equipment installed, to the satisfaction of the Development and Engineering Services Director.
10. All vents, gutters, downspouts, flashing, electrical conduit, and other wall-mounted or building-attached utilities shall be painted to match the color of the adjacent surface or otherwise designed in harmony with the building exterior to the satisfaction of the Development and Engineering Services Director.
11. Prior to final inspection or certificate of occupancy, on-site circulation signs shall be installed to the satisfaction of the Development and Engineering Services Director.
12. Prior to final inspection or certificate of occupancy, all exterior and parking area lighting shall be directed downward or shielded, to prevent glare or spray of light into the public rights-of-way, to the satisfaction of the Development and Engineering Services Director.
13. Prior to the issuance of a building permit, bicycle parking spaces shall be provided in accordance with Tracy Municipal Code Section 10.08.3510 to the satisfaction of the Development and Engineering Services Director.
14. All PG&E transformers, phone company boxes, Fire Department connections, backflow preventers, irrigation controllers, and other on-site utilities, shall be vaulted or screened from view from any public right-of-way, behind structures or landscaping, to the satisfaction of the Development and Engineering Services Director.
15. The applicant shall pay all applicable fees for the project, including, but not limited to, development impact fees, building permit fees, plan check fees, grading permit fees, encroachment permit fees, inspection fees, school fees, or any other City or other agency fees or deposits that may be applicable to the project.
16. All improvements shall be consistent with the Tracy Municipal Code, Standard Plans, and other applicable City Regulations.
17. Prior to the issuance of a building permit, a lot line adjustment shall be approved and recorded in order to ensure that the property lines on the project site do not interfere with the building footprint.
18. No signs are approved as a part of this development application. Prior to the installation of any signs, the applicant shall submit a sign permit application and receive approval from the Development and Engineering Services Director, and all signs shall be

designed in compliance with the Northeast Industrial Concept Development Plan and Tracy Municipal Code Chapter 10.08, Article 35, Signs.

19. Prior to the issuance of a building permit, a detailed plan of the trash enclosures, at least eight feet in height, shall be submitted, showing solid metal doors, a solid roof, an interior concrete curb, and exterior materials and colors compatible with the adjacent building exterior.
20. The architectural elevations for proposed 1,200,400 square foot building shall be consistent with the elevations received by the DES Department on October 24, 2011.
21. Prior to the issuance of a Certificate of Occupancy for any of the buildings, a permanent barrier such as a concrete curb, fence or berm and swale shall be installed at all phasing lines to block vehicular access from any unpaved areas.

Engineering Division Conditions of Approval:

A. Conditions of Approval Prior to Approval of Grading and Encroachment Permit

Applications: No application for grading permit and encroachment permit within the Project boundaries will be accepted by the City as complete until the Developer provides all documents required by City Regulations and these Conditions of Approval, to the satisfaction of the City Engineer, including but not limited to, the following:

1. The Developer has completed all requirements set forth in this section.
2. The Developer has obtained the approval of all other public agencies with jurisdiction over the required public facilities.
3. Payment of all applicable processing fees including improvement plan check fees, engineering fees for processing Conditions of Approval, encroachment and grading permits and inspection fees, required by these Conditions of Approval and City Regulations.
4. Tracy's Fire Marshall's signature on the Improvement Plans indicating their approval on the Project's fire service connection, fire and emergency vehicle access and compliance of the City's Fire Department fire protection requirements. Written approval from the Fire Department required in this section shall be obtained by the Developer, prior to City Engineer's signature on the Improvement Plans.
5. A Grading Plan prepared by a Registered Civil Engineer and accompanied by Soils Engineering and Engineering Geology reports shall be submitted to the City with the Improvement Plans. The reports shall provide recommendations regarding adequacy of sites to be developed by the proposed grading and also information relative to the stability of soils. Slope easements, if necessary, shall be recorded per City Regulations. Prior to the issuance of the first building

permit within the Property, the Developer shall submit a letter, signed and stamped by a Registered Geo-technical Engineer, certifying that grading work including excavation, backfilling, compacting and backfilling work performed by the Developer, meets the requirements of the Project's Soils Report and was completed under the supervision of the Project's Geo-technical Engineer (licensed to practice in the State of California).

6. All grading shall require a Grading Permit. Erosion control measures shall be implemented in accordance with plans approved by the City Engineer for all grading work not completed before October 15. Improvement Plans shall designate all erosion control methods and materials to be employed.
7. As required by the City standards, the site grading and on-site storm drainage system shall be designed in such a way that the Project has an overland storm drainage release point to an improved public street with existing and functional storm drainage system. Overland storm drainage release point is a location on the Project's boundary where storm runoff leaves the Property and overland drain to an improved public street with functional storm drainage system; in the event the Project's on-site storm drainage system fails to function properly or is clogged. The building finish floor is recommended to be at least 0.70 feet higher than the Project's overland storm drainage release point. City will not allow overland storm drainage release through private properties without written permission from affected property(s). The Developer shall execute an indemnification agreement, if after the Developer has demonstrated a design constraints exist which would cause the Project's overland storm drainage release point to be designed and constructed with storm water draining through private property(s). The indemnification agreement requires approval from the City Council, prior to the issuance of the grading permit. The Grading and Drainage Plans shall indicate the location and elevation of the Project's overland storm drainage release point and shall show all improvements that may be necessary to create a functional overland storm drainage release point.
8. Prior to the issuance of the Grading Permit, the Developer shall submit three (3) sets of the Storm Water Pollution Prevention Plan (SWPPP) and a copy of the Notice of Intent (NOI) submitted to the State Water Quality Control Board (SWQCB) and any documentation or written approvals from the SWQCB, including the Wastewater Discharge Identification Number. After the completion of the Project, the Developer is responsible for filing the Notice of Termination (NOT) required by SWQCB. The Developer shall provide the City, a copy of the completed Notice of Termination. Cost of preparing the SWPPP, NOI and NOT including the filing fee of the NOI and NOT shall be paid by the Developer. The Developer shall provide the City with the Waste Water Discharge Identification number, prior to the issuance of the grading permit. The Developer shall comply with all the requirements of the SWPPP and applicable Best Management Practices (BMPs) and the City's Storm Water Management Program.

9. Slope easements shall be dedicated to the City where cuts or fills do not match existing ground or final grade adjacent to public right-of-way (up to a maximum grade differential of two feet only), prior to issuance of the first building permit. Retaining walls shall be installed where grade differential exceeds 12 inches. Reinforced concrete or masonry retaining wall with provisions for lateral drainage and connection to City's storm drainage system shall be used for retaining wall where grade differential is more than 12 inches. Using sloped backfill materials to eliminate grade differential will not be allowed.
10. The building finish floor must be set to be 1 foot higher than the highest 100-year flood plain elevation or contour. The lowest point in the parking area or the Property shall not be more than 4 feet below the highest 100-year flood plain elevation or contour.
11. The Developer shall remove the temporary on-site storm drainage retention basin, and design and construct the permanent connection to the City's storm drainage facility, all at the Developer's sole cost and expense, within sixty calendar (60) days from date of receipt of written notification from the City Engineer that the City's Detention Basin NE and its connection to the City's downstream storm drain system and the Project's storm drainage connection to the City's storm drainage facility are completed and is ready for final acceptance by the City Council. The Developer shall post improvement security in a form acceptable to the City, to cover the Developer's cost responsibilities to maintain the temporary basin, remove the temporary basin, backfill, and grade the basin site, and design and construct the permanent storm drainage connection for the Project. Prior to the issuance of the Grading Permit, the Developer shall execute a Deferred Improvement Agreement with the City and post improvement security, in the amounts and form acceptable to the City, to guarantee completion of the removal of the temporary storm drainage retention basin, design and construction of the Project's storm drainage connection to the City's storm drainage facility, and the backfilling and re-grading of the basin site to its final grades.
12. To guarantee to the City that the basin will be removed and the basin site will be filled and graded accordingly, and the project's storm drainage connection to the City's permanent storm drainage facility will be completed and made operational, the Developer shall execute a deferred improvement agreement and post necessary improvement security. The agreement will require approval from the City Council. Developer shall obtain approval from the City Council, prior to the issuance of the grading permit. City will allow the removal of the basin when the City's storm drainage facility planned to serve this property are constructed and accepted by the City Council as complete and a written notice from the City Engineer stating that the basin can be removed is issued. Backfilling of the basin and grading work on the basin site shall be in accordance with the

recommendations of the project's Geo-technical Engineer or project's Geo-technical Report/ Soils Report.

B. Conditions of Approval Prior to Approval of Building Permit. No building permit within the Project boundaries will be approved by the City until the Developer demonstrates, to the satisfaction of the City Engineer, compliance with all required Conditions of Approval, including, but not limited to, the following:

1. The Developer has completed all requirements set forth in Condition A, above.
2. Payment of all applicable Northeast Industrial Area (NEI) – Phase 2 Development Impact Fees (a.k.a. capital in-lieu fees), and participation in Community Facilities Districts, if formed, for construction of infrastructure including but not limited to roads, sewer, water, storm, public buildings, public works/safety, parks, reimbursements to other development area(s) for use of reserve capacities, as required by the Northeast Industrial Area – Phase 2 Finance and Implementation Plan, and all fees required by these Conditions of Approval and City Regulations. Development impact fees are adjusted annually based on the Construction Cost Index (CCI) published in the Engineering News Record (ENR). The final development impact fees to be paid by the Developer are the NEI Phase 2 development impact fees that are in effect at the time of issuance of the building permit.
3. Signed and stamped letter from the Project's Geo-technical Engineer certifying that grading work performed by the Developer within the Project, meets the requirements of the Project's Soils Report and the recommendations by the Project's Geo-Technical Engineer's and that the grading work were performed under the direct supervision of the Project's Geo-technical Engineer.
4. All phases of the development shall annex into the Tracy Consolidated Landscape Maintenance District (TCLMD) prior to issuance of a building permit.

When the Property annexes into the TCLMD, the owners of the property will be assessed for assessment district costs related to maintenance, operation, repair and replacement of public landscaping, public walls and any public special amenities as described in the TCLMD. The items to be maintained include but are not limited to the following: ground cover, turf, shrubs, trees, irrigation systems, drainage and electrical systems, masonry walls or other fencing, entryway monuments or other ornamental structures, furniture, recreation equipment, hardscape and any associated appurtenances within medians, parkways, dedicated easements, channel-ways, parks or open space areas.

Prior to issuance of a building permit, the Developer shall deposit a first year's assessment equivalent to the Maintenance District's first twelve months of

estimated costs as determined by the City of Tracy Public Works Director. The Developer shall be responsible for all costs associated with annexation into the TCLMD.

5. As part of a complete submittal of the grading permit application, the Developer shall submit a signed Certificate of Compliance for Lot Line Adjustment and the Grant Deed with the necessary legal description(s) and map(s) for the conveyance of the transfer parcel to the respective owner(s) of adjacent adjusted parcel(s). These two documents must be filed for recording at the San Joaquin County, prior to the issuance of the building permit.
 6. Mutual utility and access easement agreement between the respective owners of the individual parcel within Property. These easements shall be recorded in the manner and order such that internal parcel or affected parcel(s) or property(s) will have access to a public street and that utility connection(s) to serve the internal parcel(s) can be installed. Dedication or reservation of access and utilities easement over Property will be subject to the terms and conditions of mutual access agreement between the respective owners of the individual parcels and/or applicable requirements of the CC&Rs.
- C. Conditions of Approval Prior to Certificate of Occupancy. No building certificate of occupancy within the Project boundaries will be approved by the City, until the Developer provides documentation which demonstrates, to the satisfaction of the City Engineer, that:
1. The Developer has completed all requirements set forth in Condition B, above and this section.
 2. The Developer has completed construction of other public facilities (non-program) required to serve the Project, that are not part of the Northeast Industrial Area program for which a building certificate of occupancy is requested. Unless specifically provided in these Conditions of Approval, or some other City Regulations, the Developer shall take all actions necessary to construct all public facilities (non-program) required to serve the Project, and the Developer shall bear all costs related to the construction of the public facilities (including all costs of design, construction, construction management, improvement plans check, inspection, land acquisition, program implementation, and contingency).

D. Special Conditions:

3. If tile drain system (irrigation system that may have been installed decades ago by farmers or irrigation districts) exists within the Project that also runs to the adjacent properties, the Developer shall coordinate with the owners of the neighboring properties for the relocation of affected tile drains, installation of interceptors and reconnecting to the outfall system. The Developer shall be responsible for monitoring groundwater level and for mitigating adverse impacts as a result of high groundwater level, all at Developer's sole cost and expense. The Developer will be responsible for any damages to any improvements within the Property and to adjacent properties for Developer's failure to perform any work related to the use, repair, operation and maintenance of tile drain system within the Property.
4. The Developer is fully responsible for any damage, repair and maintenance from the Project's activities including but not limited to all type of construction, the weight of the building and vehicular movements to existing tile drain system within the Project. The Developer shall indemnify, defend, and hold harmless the City (including its elected officials, officers, agents, and employees) from and against any and all claims, demands, damages, liabilities, costs, and expenses (including court costs and attorney's fees) resulting from or arising out of merely the existence of the tile drain system and interceptors or from damaged or undamaged existing underground tile drain system issues by Developer or Developer's agents, representatives, contractors, subcontractors, or employees, adjacent property owner or adjacent property owner's agents, representatives, contractors, subcontractors, or employees.
5. If existing tile drain systems require removal or relocation as recommended by the Engineer to be hired by the Developer, a copy of the field report must be submitted to the City. The Developer shall remove or relocate tile drain system in accordance with the field report. If the tile drain system require connection to the City's storm drainage facility as recommended by the Developer's Engineer, the Developer shall pay for new sub-drainage system analysis by the City's consultant, if necessary, to determine specific impacts and required improvements to the downstream storm drainage facilities, and for determination of the Project's fair share of costs for required improvements, prior to the issuance of a Grading Permit. The Developer shall pay the Project's fair share costs for the required improvements, prior to the issuance of the Grading Permit.
6. If tile drain system (irrigation system that may have been installed decades ago by farmers or irrigation districts) exists within the Project that also runs to the adjacent properties, the Developer shall coordinate with the owners of the neighboring properties for the relocation of affected tile drains, installation of interceptors and reconnecting to the outfall system. The Developer shall be responsible for monitoring groundwater level and for mitigating adverse impacts

as a result of high groundwater level, all at Developer's sole cost and expense. The Developer will be responsible for any damages to any improvements within the Property and to adjacent properties for Developer's failure to perform any work related to the use, repair, operation and maintenance of tile drain system within the Property.

7. The Developer is fully responsible for any damage, repair and maintenance from the Project's activities including but not limited to all type of construction, the weight of the building and vehicular movements to existing tile drain system within the Project. The Developer shall indemnify, defend, and hold harmless the City (including its elected officials, officers, agents, and employees) from and against any and all claims, demands, damages, liabilities, costs, and expenses (including court costs and attorney's fees) resulting from or arising out of merely the existence of the tile drain system and interceptors or from damaged or undamaged existing underground tile drain system issues by Developer or Developer's agents, representatives, contractors, subcontractors, or employees, adjacent property owner or adjacent property owner's agents, representatives, contractors, subcontractors, or employees.
8. If existing tile drain systems require removal or relocation as recommended by the Engineer to be hired by the Developer, a copy of the field report must be submitted to the City. The Developer shall remove or relocate tile drain system in accordance with the field report. If the tile drain system require connection to the City's storm drainage facility as recommended by the Developer's Engineer, the Developer shall pay for new sub-drainage system analysis by the City's consultant, if necessary, to determine specific impacts and required improvements to the downstream storm drainage facilities, and for determination of the Project's fair share of costs for required improvements, prior to the issuance of a Grading Permit. The Developer shall pay the Project's fair share costs for the required improvements, prior to the issuance of the Grading Permit.
9. The Developer shall remove the temporary on-site storm drainage retention basin, and design and construct the permanent connection to the City's storm drainage facility, all at the Developer's sole cost and expense, within sixty calendar (60) days from date of receipt of written notification from the City Engineer that the City's Detention Basin NE and its connection to the City's downstream storm drain system and the Project's storm drainage connection to the City's storm drainage facility are completed and is ready for final acceptance by the City Council. The Developer shall post improvement security in a form acceptable to the City, to cover the Developer's cost responsibilities to maintain the temporary basin, remove the temporary basin, backfill, and grade the basin site, and design and construct the permanent storm drainage connection for the Project. Prior to the issuance of the Grading Permit, the Developer shall execute a Deferred Improvement Agreement with the City and post improvement security, in the amounts and form acceptable to the City, to guarantee completion

of the removal of the temporary storm drainage retention basin, design and construction of the Project's storm drainage connection to the City's storm drainage facility, and the backfilling and re-grading of the basin site to its final grades.

10. In the absence of the downstream facilities such as the permanent detention basin for NEI and its connection to the City's existing storm drainage channel, City will allow the use of an on-site temporary storm drainage retention basin as an interim solution for the disposal of storm runoff generated from the property, provided the property owner and/ or Developer complies with City standards regarding the design and construction of the on-site temporary storm drainage retention basin, and agrees to remove the basin and grade the basin site, when the basin is no longer needed as determined by the City and is taken out of service, and that all the costs involved in the design, construction, maintenance and removal of the basin are paid and guaranteed by the property owner and/ or Developer. The on-site temporary storm drainage basin must be located at the downstream portion of the project's on-site storm drainage system and the property, and must be designed and constructed in accordance with City standards. The basin must be designed with capacity to store storm runoff equivalent to the volume of two (2) ten (10)-year 48-hour storm event generated from the property. Basin must empty in ten (10) days. Submit the calculations for determining the size of the basin with the soils report that contains information on the site's percolation rate and groundwater elevation. Indicate on the site plan the approximate location and size of the on-site temporary storm drainage retention basin.
11. Excavated materials shall be kept within the basin site. If the excavated materials are removed from the basin site, the Developer shall post cash security equivalent to the cost of the backfill materials, hauling to the basin site, spreading, compacting and re-grading the basin site. Stockpile of excavated materials shall not be higher than 8 feet and slope should not be steeper than 1:1. A chain link fence with redwood slats and access gate shall be installed by the Developer to enclose the basin site. The bottom of the temporary on-site storm drainage retention basin shall be 5 feet above the observed highest groundwater elevation at the basin site. The City Engineer may allow a separation of not less than 2 feet, if the Developer signs an indemnification agreement with the City. The percolation report shall also indicate the observed highest groundwater elevation at the basin site. The Developer will be responsible for maintenance of the temporary retention facility until downstream storm drainage facilities are available and connection to the permanent system is installed and made operational.
12. The Developer will be required to install domestic water service connection with a radio-read water meter within City's right-of-way. Domestic water service and fire

service connections shall be installed in accordance with City Standards. City will allow sub-metering which will be installed outside City right-of-way, but the City will not read and inspect the sub-meters. The property owner or Developer shall ensure that size of the domestic water service and fire service line is adequate to meet City's water pressure and flow requirements and the project's water demand. Water looping or two points of connections for fire service will be required by City's Fire Department. Show the location of the water meter and backflow prevention device for the domestic water connection and the double check detector check valve for the fire service line. Show also the point(s) of connection with the existing water distribution main on Chrisman Road. Developer and/ or property owner shall coordinate with City's Fire Department and obtain their approval for the location, layout and detail of fire protection facilities required of the project, and for the emergency fire access to and through the project, prior to accepting the development application as complete.

13. The Developer shall install and complete the water system connection, including Radio-Read water meter and R/P Type back-flow protection devices prior to issuance of Certificate of Occupancy. City's responsibility to maintain water lines shall be from the water main on the street to the water meter (inclusive) only. Maintenance of all on-site water lines, laterals, sub-meters, valves, fittings, fire hydrant and appurtenances shall be the responsibility of the Developer.
14. The Developer shall design and install the fire service line for the Project in accordance with City's Regulations, Standards and to the satisfaction of the City's Fire Department. Size, type, location and construction details of the fire service line shall be approved by the Fire Department. Vehicular access through the Project for emergency purposes shall be reviewed and approved by the City's Fire Department. Prior to the issuance of the Grading Permit, a written approval for the fire service and emergency access will be required from the City's Fire Department.
15. The Developer shall design and install sewer connection for this Project in accordance with City Regulations. The Developer and property owner are hereby notified that the City will not provide maintenance of the sewer lateral within the public right-of-way unless the sewer cleanout is located and constructed in conformance with Standard Plan No. 203.

Nothing contained herein shall be construed to permit any violation of relevant ordinances and regulations of the City of Tracy, or other public agency having jurisdiction. This tentative parcel map condition of approval does not preclude the City from requesting additional revisions and requirements to the tentative parcel map, prior to the City Engineer's signature and approval of the proposed tentative parcel map, if the City deems it necessary. The Subdivider shall bear the all cost for the inclusion, design, and implementations of such additions and requirements, without reimbursement or any payment from the City.

AGENDA ITEM 8

REQUEST

PUBLIC HEARING TO AUTHORIZE, BY IMPLEMENTING RESOLUTION, THE ADOPTION OF THE UPDATED ROADWAY DEVELOPMENT IMPACT FEES FOR THE NORTH EAST INDUSTRIAL AREA PHASE 1, NORTH EAST INDUSTRIAL AREA PHASE 2, PLAN C DEVELOPMENT AREA AND SOUTH MACARTHUR PLANNING AREA DEVELOPMENTS RESULTING IN A NET DECREASE IN ROADWAY FEES

EXECUTIVE SUMMARY

The proposed update of the Roadway Development Impact Fees results in a reduction of the existing roadway fees. The property owners pay this fee at the time of development. By reducing the Roadway Development Impact Fees in various development areas, the City will be more competitive in attracting new development without compromising construction of the required roadway infrastructure.

DISCUSSION

The City regularly updates development impact fees for various development areas in accordance with actual costs incurred or the latest the construction cost estimates for public infrastructure. These fees include Roadways, Storm Drainage, Water, Wastewater, Parks and Public Buildings. The fees are based upon the total actual costs incurred on completed projects and updated cost estimates of the incomplete projects distributed among the undeveloped properties.

Generally, development impact fees are updated on an annual basis. However, due to a slow-down of the economy, lack of development activities and fluctuations in construction costs, the fees were not updated for the last three years in certain development areas. While construction costs for more specialized infrastructure in Water, Wastewater, Storm Drainage, and Public Building areas have not seen much reduction in construction costs, Roadway construction costs have varied significantly. Since then, roadway construction costs have now decreased by an average amount of 15%. It is proposed that the City update the Roadway Development Impact fees in the developments areas that still have not completed major roadway projects. This effort will assist the City's in its business attraction efforts.

Since Roadway Development Impact Fees not only include the cost of construction of roads but also includes traffic signal projects and other soft costs associated with the project involving design, construction inspection and project management; the estimated overall decrease in projects costs and development impact fees is estimated to be 12%. After adoption of these fees, the Finance and Implementation Plans for the different development areas will be updated to incorporate these reductions and will be reconciled with cash flow projections.

The reduction in Roadway Development Impact fees is proposed in the development areas listed below. A comparison of existing and the proposed Roadway Development Impact Fees are provided in Attachment A.

1. North East Industrial Area Phase 1

2. North East Industrial Area Phase 2
3. Place C Development Area
4. Gateway Phase 1
5. South MacArthur Planning Area

Further analysis is needed to review development impact fees for the Industrial Specific Plan (ISP) South that was last updated in April 2009. Major roadway projects in ISP South were completed in early 2000 by a developer who is being reimbursed from the fees collected from new developments. As a result, the decrease in roadway development impact fees for ISP South will be marginal. Regarding the I-205 Specific Plan, a majority of the undeveloped properties have already entered into financing plans and either paid their development impact fees or their fees are fixed and will be paid at the time of development of the properties. For these reasons, roadway fees in these areas are not recommended for a reduction at this time.

STRATEGIC PLAN

This agenda item relates to the Economic Development Strategic Plan. Specifically, Goal 1 - Job Creation/Business Attraction. This will help incentivize new business attraction efforts.

FISCAL IMPACT

There is no impact to the General Fund as a result of updating the Roadway Development Impact Fees for the development areas listed above since the total cost of required roadway infrastructure projects divided among the undeveloped properties. The City will continue reviewing developments in the construction industry and will update the fees as necessary to ensure the new developments pay the cost of the required roadway infrastructure.

RECOMMENDATION

Staff recommends City Council authorize, by implementing resolution, the adoption of the updated Roadway Development Impact Fees for the North East Industrial Area Phase 1, North East Industrial Area Phase 2, Plan C Development Area and South MacArthur Planning Area developments resulting in a net decrease in roadway fees.

Prepared by: Kuldeep Sharma, City Engineer
Reviewed by: Andrew Malik, Development Services Director
Approved by: Leon Churchill, Jr., City Manager

Attachment A - Roadway Fee Reduction

**Roadway Fee Reduction
October 2011**

Type	Fee per	Plan C						NEI PH 1		NEI Ph 2		Gateway		SMPA	
		Northwest		Southwest		Southeast		Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
		Current	Proposed	Current	Proposed	Current	Proposed								
LDR	unit	NA	NA	\$ 4,988	\$ 4,389	\$ 10,918	\$ 9,608	NA	NA	NA	NA	NA	NA	\$ 9,785	\$ 8,611
MDR	unit	NA	NA	\$ 4,988	\$ 4,389	\$ 10,918	\$ 9,608	NA	NA	NA	NA	NA	NA	\$ 9,785	\$ 8,611
HDR	unit	\$ 10,715	\$ 9,429	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$ 4,657	\$ 4,098
Office	ac	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	\$ 29,102	\$ 25,610	NA	NA
Retail	ac	NA	NA	\$ 78,049	\$ 68,683	NA	NA	NA	NA	NA	NA	\$ 41,991	\$ 36,952	NA	NA
Industrial	ac	NA	NA	NA	NA	NA	NA	\$ 82,360	\$ 72,477	\$ 90,855	\$ 79,952	NA	NA	NA	NA

Fee Reduction= 12%

Which equals a 15% reduction on construction costs and contingency but no reduction in design, CM and PM

RESOLUTION 2011- _____

AUTHORIZING THE ADOPTION OF THE UPDATED ROADWAY DEVELOPMENT
IMPACT FEES FOR THE NORTH EAST INDUSTRIAL AREA PHASE 1, NORTH EAST
INDUSTRIAL AREA PHASE 2, PLAN C DEVELOPMENT AREA AND SOUTH
MACARTHUR PLANNING AREA DEVELOPMENTS RESULTING IN A NET
DECREASE IN ROADWAY FEES

WHEREAS, The City regularly updates development impact fees for various
development areas in accordance with actual costs incurred or the latest the construction cost
estimates for public infrastructure, and

WHEREAS, due to a slow-down of the economy, lack of development activities and
fluctuations in construction costs, the fees were not updated for the last three years in certain
development areas, and

WHEREAS, The reduction in Roadway Development Impact fees is proposed in the
following development areas: North East Industrial Area Phase 1; North East Industrial Area
Phase 2; Place C Development Area; Gateway Phase 1; and South MacArthur Planning Area,
and

WHEREAS, There is no impact to the General Fund as a result of updating the Roadway
Development Impact Fees for the development areas listed since the total cost of required
roadway infrastructure projects are divided among the undeveloped properties;

NOW, THEREFORE, BE IT RESOLVED That City Council adopts the updated Roadway
Development Impact Fees for the North East Industrial Area Phase 1, North East Industrial Area
Phase 2, Plan C Development Area and South MacArthur Planning Area developments
resulting in a net decrease in roadway fees.

The foregoing Resolution _____ was adopted by the Tracy City Council on the 6th
day of December, 2011 by the following vote:

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

MAYOR

ATTEST

CITY CLERK

AGENDA ITEM 9

REQUEST

ESTABLISH A PROCESS TO RECOGNIZE THE CONTRIBUTIONS OF MEMBERS OF THE COMMUNITY FOR THEIR MILITARY SERVICE WITH A CERTIFICATE OF COMMENDATION UPON THEIR HONORABLE SEPARATION FROM THE ARMED FORCES

EXECUTIVE SUMMARY

The City of Tracy has a procedure in place (Resolution 2010-059) to issue ceremonial documents and other forms of recognition to members of the community. This proposal would amend Resolution 2010-059 by the addition of a specific process for requesting a Certificate of Commendation to recognize military service by members of the community.

DISCUSSION

Currently, the City has a variety of documents it issues upon request to recognize the contributions and/or actions of members of the community. Qualifying acts include exceptional accomplishments or contributions to the community, acts of heroism, academic or sporting achievements, etc.

In light of the long history of Tracy residents serving their country through military service, it is appropriate to establish a process to specifically recognize Tracy veterans. Current policy states that a Certificate of Commendation may be issued for "Acts of heroism." It is recommended that this would be the appropriate level of recognition available to any Tracy resident who is honorably discharged from the Army, Navy, Air Force, Marines, Coast Guard and the reserve components of those services or the National Guard.

"Tracy resident" would be defined as anyone residing in the City Tracy either at the time of discharge or enlistment into military service.

Qualified individuals would submit an application (Exhibit "A") to the City that lists the applicant's name, address (or other qualifying connection to Tracy), branch of the military, rank upon discharge, term of service, type of duties performed, theaters served in and any awards or decorations. The application will be supported by copies of proof of residency, military discharge documents (DD 214), etc.

In addition to the City's usual methods of public outreach, local veterans groups and veteran support organizations would be enlisted to make separating veterans aware of this available recognition. When desired, the Certificate of Commendation would be presented during City Council meetings.

STRATEGIC PLAN

This agenda item is a routine operational item and does not relate to the Council's strategic plans.

FISCAL IMPACT

A minimal amount of staff time will be needed to review and verify requests and there will be a modest expense to print certificates. There is no additional fiscal impact.

RECOMMENDATION

That the Council approve, by resolution, an amendment to Resolution 2010-059 to establish a process for Tracy veterans to apply for a Certificate of Commendation upon their honorable discharge from military service.

Prepared by: Rod Buchanan, Parks and Community Services Director

Reviewed by: Maria A. Hurtado, Assistant City Manager

Approved by: R. Leon Churchill, Jr., City Manager

Attachment A - Application for Certificate of Commendation Recognizing Honorable Military Service

Attachment A

APPLICATION FOR CERTIFICATE OF COMMENDATION
RECOGNIZING HONORABLE MILITARY SERVICE

1) Name: _____

2) Tracy Address (at time of enlistment or discharge):

3) Branch(s) of Military served in: _____

4) Dates of service (starting/ending): _____

5) Rank at time of separation: _____

6) Duties performed (MOS, Career field, etc.) _____

7) Overseas Deployments: _____

8) Awards or decorations: _____

Please attach any supporting documentation (proof of residency, copies of military discharge documents (DD 214), etc.

RESOLUTION _____

AMENDING RESOLUTION 2010-059 TO ESTABLISH A PROCESS FOR TRACY VETERANS TO APPLY FOR A CERTIFICATE OF COMMENDATION UPON THEIR HONORABLE DISCHARGE FROM MILITARY SERVICE

WHEREAS, The City of Tracy has a procedure in place (Resolution 2010-059) to issue ceremonial documents and other forms of recognition to members of the community; and

WHEREAS, In light of the long history of Tracy residents serving their country through military service, it is appropriate to establish a process to specifically recognize Tracy veterans; and

WHEREAS, Current policy states that a Certificate of Commendation may be issued for "Acts of heroism," which is the appropriate level of recognition for any Tracy resident who is honorably discharged from the Army, Navy, Air Force, Marines, Coast Guard and the reserve components of those services or the National Guard; and

WHEREAS, "Tracy resident" would be defined as anyone residing in the City Tracy either at the time of discharge or enlistment into military service.

NOW THEREFORE BE IT RESOLVED, That the Tracy City Council hereby amends Resolution 2010-059 to establish a process for Tracy veterans to apply for a Certificate of Commendation upon their honorable discharge from military service.

The foregoing Resolution _____ was passed and adopted by the City Council of the City of Tracy on the _____ day of _____, 2011, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

MAYOR

ATTEST:

CITY CLERK

December 6, 2011

AGENDA ITEM 10

REQUEST

APPOINT TWO APPLICANTS TO THE PARKS AND COMMUNITY SERVICES COMMISSION

EXECUTIVE SUMMARY

There are two vacancies on the Parks and Community Services Commission due to mid-term resignations. A recruitment was conducted and appointments need to be made.

DISCUSSION

There are two vacancies on the Parks and Community Services Commission due to mid-term resignations. To fill the vacancies the City Clerk's office conducted a three week recruitment which closed on November 1, 2011. Eight applications were received.

On November 22, 2011, a Council subcommittee consisting of Council Member Abercrombie and Council Member Rickman interviewed the applicants. In accordance with Resolution 2004-152, the Council subcommittee will recommend two applicants for appointment. The appointees will serve for the remainder of the retiring commissioners' terms.

The subcommittee can recommend the Council establish an eligibility list to be used to fill vacancies that occur in the following 12 months.

FISCAL IMPACT

None.

STRATEGIC PLAN

This is a routine operational item and is not related to the City's four strategic plans.

RECOMMENDATION

That Council approves the subcommittee's recommendations and appoint two applicants. One applicant will serve from December 6, 2011 until January 1, 2014; and one applicant will serve from January 1, 2012 until January 1, 2014.

Prepared by: Carole Fleischmann, Assistant City Clerk
Reviewed by: Maria Hurtado, Assistant City Manager
Approved by: Leon Churchill, Jr., City Manager

December 6, 2011

AGENDA ITEM 12.A

REQUEST

CONSIDER AN ITEM FOR DISCUSSION ON A FUTURE CITY COUNCIL AGENDA REGARDING ENDORSEMENT OF THE CALIFORNIA CANCER RESEARCH ACT

EXECUTIVE SUMMARY

Determine whether an item should be placed on a future Council agenda to discuss endorsing the California Cancer Research Act.

DISCUSSION

At the City Council meeting held on November 15, 2011, Council Member Abercrombie requested that Council consider placing an item on a future City Council agenda to discuss endorsement of the California Cancer Research Act.

The purpose of this agenda item is to provide an opportunity for Council to discuss whether staff time and City resources should be devoted to researching the issue, and to determine whether the item should be placed on a future agenda. An item placed on a future agenda would enable the Council to discuss in detail whether or not the Council chooses to endorse the California Cancer Research Act.

RECOMMENDATION

It is recommended that the City Council discuss and determine whether an item regarding endorsement of the California Cancer Research Act should be placed on a future City Council agenda for discussion.

Prepared by: Carole Fleischmann, Assistant City Clerk

Reviewed by: Maria Hurtado, Assistant City Manager

Approved by: Leon Churchill, Jr., City Manager

December 6, 2011

AGENDA ITEM 12.B

REQUEST

**APPOINTMENT OF CITY COUNCIL SUBCOMMITTEE TO INTERVIEW
APPLICANTS FOR THREE VACANCIES ON THE PARKS AND COMMUNITY
SERVICES COMMISSION**

EXECUTIVE SUMMARY

Request appointment of subcommittee to interview applicants for vacancies on the Parks and Community Services Commission.

DISCUSSION

There are three vacancies on the Parks and Community Services Commission due to term expirations. The vacancies are being advertised and the three week recruitment period will close on December 20, 2011.

In accordance with Resolution 2004-152, a two-member subcommittee needs to be appointed to interview the applicants and make a recommendation to the full Council.

STRATEGIC PLAN

This item is a routine operational item and does not relate to any of the Council's four strategic plans.

FISCAL IMPACT

None.

RECOMMENDATION

That Council appoints a two-member subcommittee to interview applicants for the vacancies on the Parks and Community Services Commission.

Prepared by: Carole Fleischmann, Assistant City Clerk
Reviewed by: Maria Hurtado, Assistant City Manager
Approved by: Leon Churchill, Jr., City Manager

December 6, 2011

AGENDA ITEM 12.C

REQUEST

DISCUSS WHETHER TO CANCEL THE REGULAR CITY COUNCIL MEETING SCHEDULED FOR TUESDAY, DECEMBER 20, 2011, AND PROVIDE DIRECTION TO STAFF

EXECUTIVE SUMMARY

Discuss cancelling the Regular City Council meeting scheduled for December 20, 2011.

DISCUSSION

Currently, there are no agenda items scheduled for the December 20, 2011, Regular City Council meeting. Therefore, staff suggests that this meeting be cancelled. The next regularly scheduled Council meeting will be held on January 3, 2012. Should a situation arise prior to January 3, 2012, which requires Council action, a special Council meeting could be scheduled.

FISCAL IMPACT

There is no fiscal impact associated with this discussion item.

RECOMMENDATION

Staff recommends that Council consider cancelling the regular City Council meeting scheduled for Tuesday, December 20, 2011, due to a lack of agenda items.

Prepared by: Carole Fleischmann, Assistant City Clerk
Reviewed by: Maria A. Hurtado, Assistant City Manager
Approved by: Leon Churchill, Jr., City Manager