



FINANCE COMMITTEE AGENDA

Tuesday, April 9, 2019

8:30 AM

Executive Conference Room, Level Three
Brea Civic & Cultural Center, 1 Civic Center Circle, Brea, California

MEMBERS: Mayor Pro Tem Marty Simonoff and Council Member Cecilia Hupp
ALTERNATE: Council Member Glenn Parker

Materials related to an item on this agenda submitted to the Finance Committee after distribution of the agenda packet are available for public inspection in the third floor lobby of the Civic and Cultural Center at 1 Civic Center Circle, Brea, CA during normal business hours. Such documents may also be available on the City's website subject to staff's ability to post documents before the meeting.

CALL TO ORDER / ROLL CALL

1. Matters from the Audience

CONSENT

2. Approval of Minutes of March 26, 2019 Meeting

Attachments

03-26-19 Minutes

DISCUSSION

3. Approval and Receipt of the Annual Engineer's Report for Landscape and Lighting Maintenance Districts Nos. 1, 2, 3, 4, 5, 6 and 7

Attachments

Exhibit A

Resolution LLMD1

Resolution LLMD2

Resolution LLMD3

Resolution LLMD4

Resolution LLMD5

Resolution LLMD6

Resolution LLMD7

NOTE: This agenda is subject to amendments up to 72 hours prior to the meeting date.

Engineer's Reports LLMD 1-7

4. Comprehensive Annual Financial Report for the City of Brea for Fiscal Year Ended June 30, 2018

Attachments

CAFR

Audit Communication Letter

Management Letter

Single Audit Report

Corrective Action Plan

Appropriations Limit Report

5. Replacement of Current AT&T Copper Wire Phone Circuit Lines to a Virtual Connection, Incorporating a Redundant Internet Connection for Disaster Recovery Internet Connectivity

Attachments

Internet & Voice Proposal

6. Schedule Next Meeting: April 30, 2019

cc: Mayor Christine Marick

Council Member Steven Vargas

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 990-7757. Notification 48 hours prior to the meeting will enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

City of Brea

FINANCE COMMITTEE COMMUNICATION

FROM: Bill Gallardo

DATE: 04/09/2019

SUBJECT: Approval of Minutes of March 26, 2019 Meeting

Attachments

03-26-19 Minutes



FINANCE COMMITTEE MINUTES

Tuesday, March 26, 2019

8:30 AM

Executive Conference Room, Level Three
Brea Civic & Cultural Center, 1 Civic Center Circle, Brea, California

CALL TO ORDER / ROLL CALL

ATTENDEES: Mayor Christine Marick, Mayor Pro Tem Marty Simonoff, Chris Emeterio, Tony Olmos, Cindy Russell, Michael Ho, Faith Madrazo, Mario Maldonado, Alicia Brenner, Ana Conrique, and Eric Nhan

1. Matters from the Audience – *None*.

CONSENT

2. Approval of Minutes of February 26, 2019 Meeting – *Approved*.

DISCUSSION

3. Water Main Replacement and Alley Rehabilitation Projects, CIP Project No.'s 7315, 7316, 7317, and 7461 – *Recommended for City Council Approval*.
4. Professional Services Agreement with Kabbara Engineering for the Design of Water and Sewer Projects at Various Locations, CIP Project numbers 7454, 7458, 7466, and 7626 – *Recommended for City Council Approval*.
5. Comprehensive Annual Financial Report for the City of Brea for Fiscal Year Ended June 30, 2018 – *Item postponed to a future meeting*.
6. Schedule Next Meeting: Tuesday, April 9, 2019

Meeting adjourned: 8:31 am

cc: Council Member Cecilia Hupp
Council Member Glenn Parker
Council Member Steven Vargas

City of Brea

FINANCE COMMITTEE COMMUNICATION

TO: Finance Committee Members

FROM: Bill Gallardo

DATE: 04/09/2019

SUBJECT: Annual Engineer's Report for Maintenance Districts Nos. 1, 2, 3, 4, 5, 6 and 7

RECOMMENDATION

Approval and Receipt of the Annual Engineer's Report for Landscape and Lighting Maintenance Districts Nos. 1, 2, 3, 4, 5, 6 and 7 and adopt the Resolutions of Intent to set a Public Hearing for each District on June 4, 2019, at 7:00 p.m.

BACKGROUND/DISCUSSION

As called for in the Landscape and Lighting Act of 1972, a yearly assessment is to be made for each Maintenance District. For Council reference, the Districts are located on the attached map (Exhibit A). The estimated assessments for the 2019-20 fiscal year as detailed in the Engineer's Report are as follows:

| Maintenance District | 2018-2019 Assessment Per Lot Per Year | 2019-2020 Assessment Per Lot Per Year | Change in Assessment Per Lot Per Year | % Change |
|-----------------------------|--|--|--|-----------------|
| M.D. #1 | \$543.00 | \$543.00 | 0 | 0% |
| M.D. #2 | \$18.50 | \$18.50 | 0 | 0% |
| M.D. #3 | \$472.71 | \$487.84 | \$15.13 | 3.2% |
| M.D. #4 | \$12.00 | \$12.00 | 0 | 0% |
| M.D. #5 | \$886.26 | \$914.62 | \$28.36 | 3.2% |
| M.D. #6 | \$1399.95 | \$1450.35 | \$50.39 | 3.6% |
| M.D. #7 | \$296.09 | \$305.56 | \$9.47 | 3.2% |

Maintenance District #1 (American National - 103 Parcels) - On February 26, 2019 staff held a general meeting with the homeowners of this District. Residents representing seven parcels chose to attend. The total estimated costs for FY 2019-20 are \$54,169. The total annual assessment amount for this District is currently \$55,929. No change is recommended for FY 2019-20. The annual assessment will remain at \$543 per parcel per year. Current fund reserves are \$2,598 which are 4.7% of the operational budget.

Maintenance District #2 (Baldwin - 297 Parcels) - The assessment for this District is for theme street lighting maintenance only. The Homeowners' Association maintains the common landscaped areas. Staff held a general meeting on February 23, 2019, to discuss the coming year's budget. No homeowners attended. The total estimated costs for FY

2019-20 will be \$6,369. The total annual assessment for this District is currently \$5,495. No change is recommended in the annual assessment for this District during FY 2019-20. This will require the expenditure of \$874.00 from the District's reserve fund. The annual assessment will remain at \$18.50 per parcel per year. Current fund reserves are \$37,991, which are 596% of the operational budget.

Maintenance District #3 (Eagle Development - 188 Parcels) - Staff held a general meeting for the homeowners on February 23, 2019. Residents representing eight parcels chose to attend. Staff updated residents on future landscape improvements and uplighting for the eagle statue. The total estimated costs for FY 2019-20 are \$137,325. The total annual assessment for this District is \$88,869, or \$472.71 per parcel per year, the maximum allowable assessment for FY 2017-2018. Residents in attendance directed staff to increase the assessment by the CPI for the prior 12 month calendar year, per parcel per year increase to help build reserves to pay for needed improvements. The recommended assessment would increase by 3.2% to \$91,713 or \$487.84 per parcel per year, an increase of \$15.13 per parcel per year. Current fund reserves are \$72,595, which are 53% of the operational budget.

Maintenance District #4 (Ponderosa - 230 parcels) - The assessment for this District is for theme street lighting maintenance only. The Homeowners' Association maintains the common landscaped areas. Staff held a general meeting on February 23, 2019, to discuss the coming year's budget. No homeowners attended. The total estimated costs for FY 2019-20 are \$2,399. No change is recommended in the annual assessment for this District during FY 2019-20. The annual assessment will remain at \$12 per parcel per year. Current fund reserves are \$18,385 which is over 130% of the operational budget.

Maintenance District #5 (Konweiser - 113 Parcels) - On February 27, 2019, staff held a general meeting for the homeowners to discuss the coming year's budget and any concerns regarding maintenance of the common areas. Residents representing four parcels chose to attend. The residents in attendance were interested in building reserves for future capital improvement needs, including landscape improvements in the District. The total estimated costs for FY 2019-20 are \$130,362. The total annual assessment for this District is \$100,147 or \$886.26 per parcel per year, which is just under the maximum allowable assessment for FY 2013-2014. Residents in attendance directed staff to increase the assessment by last year's CPI, 3.2% to continue help build reserves to pay for improvements. The recommended assessment would increase by 3.2% to \$103,352 or \$914.62 per parcel per year, an increase of \$28.36 per parcel per year. Current fund reserves are \$66,040, which are 51% of the operational budget.

Maintenance District #6 (Schmid Development - 135 Parcels) - This District is the largest of the seven Districts. It consists of 16 acres of common landscaped areas. Staff held a general meeting on March 13, 2019 to discuss the coming year's budget and assessment. Homeowners representing five parcels chose to attend. Residents and staff discussed an assessment increase to keep pace with increasing maintenance costs which had been shared with all residents in their annual meeting notification this year. The total estimated costs for FY 2019-20 are \$206,560. The total annual assessment for this District is \$188,990 or \$1,399.95 per parcel per year. Residents were in agreement an assessment increase was needed to keep pace with increased costs and directed staff to increase the assessment by a percentage in the \$50 per parcel per year range. The recommended assessment would increase by 3.6% to \$195,797 or \$1,450.35 per parcel per year, an increase of \$50.39 per parcel per year. Current fund reserves are \$35,168, which are 17% of the operational

budget.

Maintenance District #7 (Baywood Development - 96 Parcels) - Staff held a general meeting on February 27, 2019, to discuss the coming year's budget and assessment. No homeowners attended. The meeting was held to solicit input into the assessment process. The total estimated costs for FY 2019-20 are \$30,442. The current annual assessment for this District is \$28,425 or \$296.09 per parcel per year, which was the maximum allowable assessment for FY 2017-2018. Due to declining reserves, an increase is recommended for the FY 2019-20 equal to the CPI increase for the previous calendar year period of 3.2%. The recommended annual assessment would be \$29,334, or \$305.56 per parcel per year, an increase of \$9.47 per parcel per year. Current fund reserves are \$5,998, which is 19% of the operational budget.

SUMMARY/FISCAL IMPACT

There will be no impact to the General Fund by this action. All funding for the maintenance of the Districts is provided for by separate assessments. In addition, the Districts' reimburse the General Fund for staff time.

As called for in the Landscape and Lighting Act of 1972, a yearly assessment is to be made for each Maintenance District. Staff held general meetings with the homeowners during the week and on a Saturday this year to discuss the coming year's budget and improvement projects. It is recommended that the Engineer's Report be accepted for the Landscape and Lighting Districts Nos. 1, 2, 3, 4, 5, 6 and 7 and that a Resolution of Intent be adopted setting a Public Hearing for each District on June 4, 2019, at 7:00 p.m.

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: Bill Bowlus, Public Works Superintendent

Concurrence: Tony Olmos, Director of Public Works

Attachments

Exhibit A

Resolution LLMD1

Resolution LLMD2

Resolution LLMD3

Resolution LLMD4

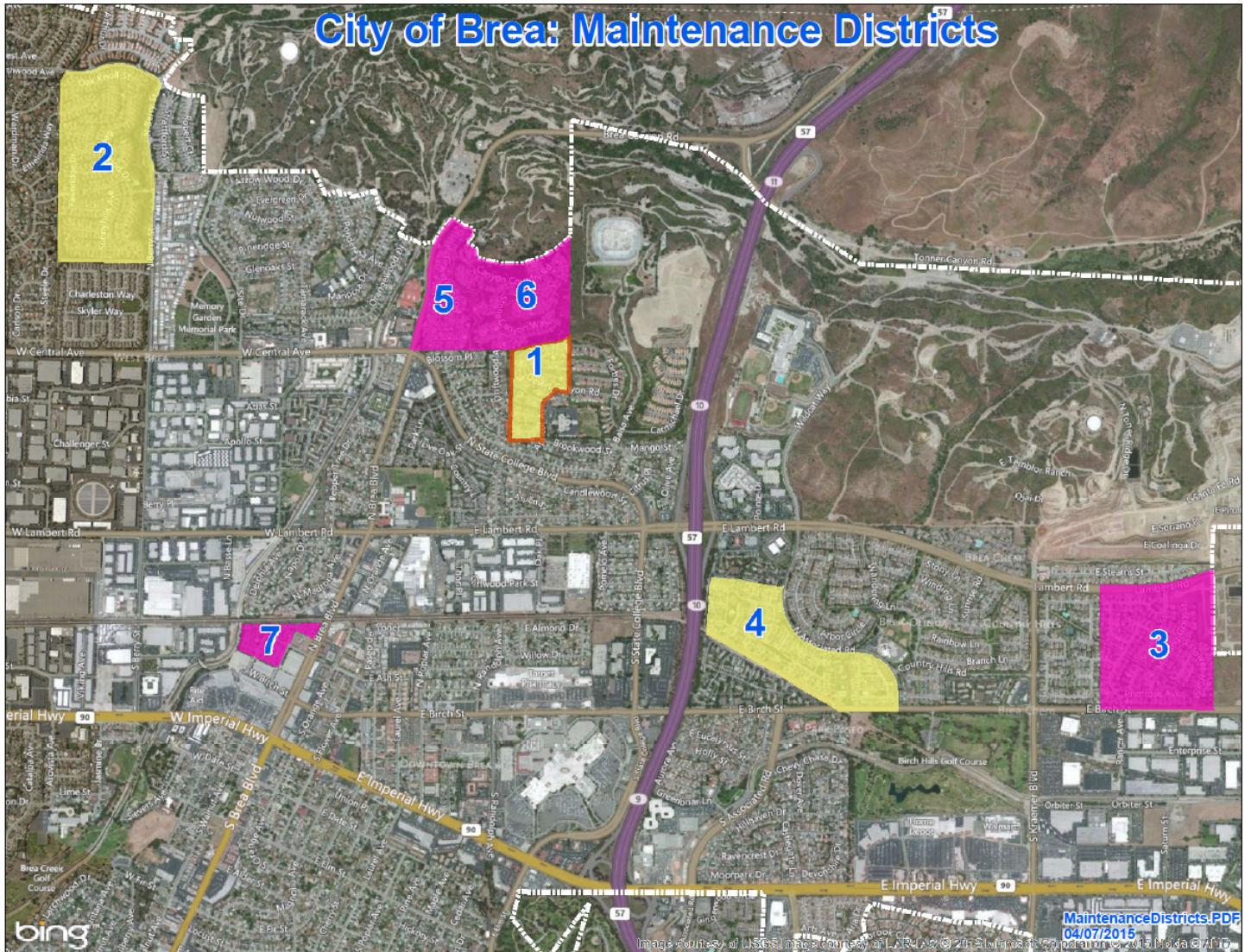
Resolution LLMD5

Resolution LLMD6

Resolution LLMD7

Engineer's Reports LLMD 1-7

Exhibit A



RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA
APPROVING THE REPORT FILED PURSUANT TO SECTION 22623 OF
THE STREETS AND HIGHWAYS CODE WITH RESPECT TO CITY OF
BREA LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 1
AND FIXING AND GIVING NOTICE OF A TIME AND PLACE FOR A
PUBLIC HEARING ON THE LEVY OF AN ASSESSMENT ON SAID
DISTRICT FOR FISCAL YEAR 2019-2020**

A. RECITALS:

(i) This Council heretofore adopted a resolution creating City of Brea Landscape and Lighting Assessment District No. 1 pursuant to Division 15 of the California Streets and Highways Code.

(ii) The Director of Public Works has prepared, filed with the City Clerk and presented to this Council a report relating to said assessment pursuant to the provisions of Section 22623 of the California Streets and Highways Code.

B. RESOLUTION:

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Brea as follows:

1. In all respects as set forth in the Recitals, Part A, of this Resolution.
2. The above-described report submitted by the Director of Public Works relating to City of Brea Landscape and Lighting Assessment District No. 1 is hereby approved as filed.
3. This Council hereby declares its intention to levy and collect assessments during fiscal year 2019-2020 pursuant to Division 15 of the Streets and Highways Code of

the State of California, known as the "Landscape and Lighting Act of 1972," on that area designated "City of Brea Landscape and Lighting Assessment District No. 1," an area encompassed by Final Tract Nos. 9121, 9341 and 9342 and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

4. A general description of the improvements proposed for the aforementioned district is as follows:

The maintenance and possible future replacement of lighting, landscaping and any facilities which are appurtenant thereto or which are necessary or convenient for the maintenance and servicing thereof, including grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks or paving, or water, irrigation, drainage, or electrical facilities. Said maintenance and servicing of said lighting shall be in the area of Tract Nos. 9121, 9341 and 9342. Said landscaping and related facilities shall be in the lettered lots, common parking bays and related planters within Final Tract Nos. 9121, 9341 and 9342.

5. Reference hereby is made to the report of the Director of Public Works relating to the said assessment district herein above approved. Said report is on file with the City Clerk of the City of Brea and contains a full and detailed description of the improvements, the boundaries of the assessment district and contains the proposed assessments upon assessable lots and parcels of land within City of Brea Landscape and Lighting District No. 1 for fiscal year 2019-2020. Said proposed assessment per lot is in the amount of \$543.00.

6. This Council hereby fixes 7:00 p.m. on June 4, 2019, in the Council

Chambers, Brea Civic and Cultural Center, 1 Civic Center Circle, Brea, California, as the time and place for a hearing before this Council on the question of the levy of the proposed assessments on City of Brea Landscape and Lighting Assessment District No. 1 for fiscal year 2019-2020 and hereby gives notice of said hearing.

7. The City Clerk shall do the following:

- a. Certify to the adoption of this Resolution;
- b. Cause a true and correct copy of this Resolution to be published once in a newspaper of general circulation located within the City of Brea at least ten days prior to June 4, 2019.

APPROVED AND ADOPTED this 16th day of April, 2019.

Mayor

ATTEST: _____
City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea held on the 16th day of April, 2019, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

DATED: _____

City Clerk

EXHIBIT "A"

LEGAL DESCRIPTION

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 1

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 1 INCLUDES ALL OF THE PROPERTIES IN THE CITY OF BREA LOCATED WITHIN THE TRACT BOUNDARY OF TRACT NO. 9121 RECORDED IN BOOK 378, PAGES 49 AND 50; TRACT NO. 9341 RECORDED IN BOOK 395, PAGES 28, 29 AND 30; AND OF TRACT NO. 9342 RECORDED IN BOOK 386, PAGES 41, 42 AND 43, ALL OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA APPROVING THE REPORT FILED PURSUANT TO SECTION 22623 OF THE STREETS AND HIGHWAYS CODE WITH RESPECT TO CITY OF BREA LIGHTING ASSESSMENT DISTRICT NO. 2 AND FIXING AND GIVING NOTICE OF A TIME AND PLACE FOR A PUBLIC HEARING OF THE LEVY OF AN ASSESSMENT ON SAID DISTRICT FOR FISCAL YEAR 2019-2020

A. RECITALS:

(i) This Council heretofore adopted a resolution creating City of Brea Lighting Assessment District No. 2 pursuant to Division 15 of the California Streets and Highways Code.

(ii) The Director of Public Works has prepared, filed with the City Clerk and presented to this Council a report relating to said assessment pursuant to the provisions of Section 22623 of the California Streets and Highways Code.

B. RESOLUTION:

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Brea as follows:

1. In all respects as set forth in the Recitals, Part A, of this Resolution.
2. The above-described report submitted by the Director of Public Works relating to City of Brea Lighting Assessment District No. 2 is hereby approved as filed.
3. This Council hereby declares its intention to levy and collect assessments during fiscal year 2019-2020 pursuant to Division 15 of the Streets and Highways Code of the State of California, known as the "Landscaping and Lighting Act of 1972," on that area

designated "City of Brea Lighting Assessment District No. 2," an area encompassed by Final Tracts Nos. 9227, 9228 and 8857 and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

4. A general description of the improvements proposed for the aforementioned district is as follows:

The maintenance and possible future replacement of lighting and any facilities which are appurtenant thereto or which are necessary or convenient for the maintenance and servicing thereof, including grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks or paving, or water, irrigation, drainage, or electrical facilities. Said maintenance and servicing of said lighting shall be in the area of Tract No. 9227, 9228 and 8857.

5. Reference hereby is made to the report of the Director of Public Works relating to the said assessment district herein above approved. Said report is on file with the City Clerk of the City of Brea and contains a full and detailed description of the improvements, the boundaries of the assessment district and contains the proposed assessments upon assessable lots and parcels of land within City of Brea Lighting Assessment District No. 2 for fiscal year 2019-2020. Said proposed assessment per lot is in the amount of \$18.50.

6. This Council hereby fixes 7:00 p.m. on June 4, 2019, in the Council Chambers, Brea Civic and Cultural Center, 1 Civic Center Circle, Brea, California, as the time and place for a hearing before this Council on the question of the levy of the proposed assessments on City of Brea Lighting Assessment District No. 2 for fiscal year 2019-2020 and hereby gives notice of said hearing.

7. The City Clerk shall do the following:

a. Certify to the adoption of this Resolution;

b. Cause a true and correct copy of this Resolution to be published once in a newspaper of general circulation located within the City of Brea at least ten days prior to June 4, 2019.

APPROVED AND ADOPTED this 16th day of April, 2019.

Mayor

ATTEST: _____
City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea held on the 16th day of April, 2019, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

DATED: _____

City Clerk

EXHIBIT "A"

LEGAL DESCRIPTION

LIGHTING ASSESSMENT DISTRICT NO. 2

THE BOUNDARIES OF LIGHTING ASSESSMENT DISTRICT NO. 2 IS DESCRIBED AS "BEING THE BOUNDARY OF ANNEXATION NO. 8-74 TO THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA," ALSO BEING ALL THE PROPERTIES LOCATED WITHIN THE TRACT BOUNDARY OF TRACT NO. 9227 RECORDED IN BOOK 392, PAGES 5 THROUGH 12; TRACT NO. 9228 RECORDED IN BOOK 428, PAGES 32 THROUGH 38; AND TRACT NO. 8857 RECORDED IN BOOK 464, PAGES 38 THROUGH 44, ALL OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA APPROVING THE REPORT FILED PURSUANT TO SECTION 22623 OF THE STREETS AND HIGHWAYS CODE WITH RESPECT TO CITY OF BREA LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 3 AND FIXING AND GIVING NOTICE OF A TIME AND PLACE FOR A PUBLIC HEARING ON THE LEVY OF AN ASSESSMENT ON SAID DISTRICT FOR FISCAL YEAR 2019-2020

A. RECITALS:

(i) This Council heretofore adopted a resolution creating City of Brea Landscape and Lighting Assessment District No. 3 pursuant to Division 15 of the California Streets and Highways Code.

(ii) The Director of Public Works has prepared, filed with the City Clerk and presented to this Council a report relating to said assessment pursuant to the provisions of Section 22623 of the California Streets and Highways Code.

B. RESOLUTION:

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Brea as follows:

1. In all respects as set forth in the Recitals, Part A, of this Resolution.
2. The above-described report submitted by the Director of Public Works relating to City of Brea Landscape and Lighting Assessment District No. 3 is hereby approved as filed.
3. This Council hereby declares its intention to levy and collect assessments

during fiscal year 2019-2020 pursuant to Division 15 of the Streets and Highways Code of the State of California, known as the "Landscape and Lighting Act of 1972," on that area designated "City of Brea Landscape and Lighting District Assessment No. 3," an area encompassed by Final Tract No. 8242 and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

4. A general description of the improvements proposed for the aforementioned district is as follows:

The maintenance and possible future replacement of lighting, landscaping and any facilities which are appurtenant thereto or which are necessary or convenient for the maintenance and servicing thereof, including grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks or paving, or water, irrigation, drainage, or electrical facilities. Said maintenance and servicing of said lighting shall be in the area of Tract No. 8242. Said landscaping and related facilities shall be in the lettered lots, common parking bays and related planters within Final Tract No. 8242.

5. Reference hereby is made to the report of the Director of Public Works relating to the said assessment district herein above approved. Said report is on file with the City Clerk of the City of Brea and contains a full and detailed description of the improvements, the boundaries of the assessment district and contains the proposed assessments upon assessable lots and parcels of land within City of Brea Landscape and Lighting Assessment District No. 3 for fiscal year 2019-2020. Said proposed assessment per lot is in the amount of \$487.84.

6. This Council hereby fixes 7:00 p.m. on June 4, 2019, in the Council

Chambers, Brea Civic and Cultural Center, 1 Civic Center Circle, Brea, California, as the time and place for a hearing before this Council on the question of the levy of the proposed assessments on City of Brea Landscape and Lighting Assessment District No. 3 for fiscal year 2019-2020 and hereby gives notice of said hearing.

7. The City Clerk shall do the following:

a. Certify to the adoption of this Resolution;

b. Cause a true and correct copy of this Resolution to be published once in a newspaper of general circulation located within the City of Brea at least ten days prior to June 4, 2019.

APPROVED AND ADOPTED this 16th day of April, 2019.

Mayor

ATTEST: _____
City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea held on the 16th day of April, 2019, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

DATED: _____

City Clerk

EXHIBIT "A"

LEGAL DESCRIPTION

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 3

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 3 INCLUDES ALL OF THE PROPERTIES IN THE CITY OF BREA LOCATED WITHIN THE TRACT BOUNDARY OF TRACT NO. 8242 RECORDED IN BOOK 428, PAGES 19 THROUGH 24 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA APPROVING THE REPORT FILED PURSUANT TO SECTION 22623 OF THE STREETS AND HIGHWAYS CODE WITH RESPECT TO CITY OF BREA LIGHTING ASSESSMENT DISTRICT NO. 4 AND FIXING AND GIVING NOTICE OF A TIME AND PLACE FOR A PUBLIC HEARING OF THE LEVY OF AN ASSESSMENT ON SAID DISTRICT FOR FISCAL YEAR 2019-2020

A. RECITALS:

(i) This Council heretofore adopted a resolution creating City of Brea Lighting Assessment District No. 4 pursuant to Division 15 of the California Streets and Highways Code.

(ii) The Director of Public Works has prepared, filed with the City Clerk and presented to this Council a report relating to said assessment pursuant to the provisions of Section 22623 of the California Streets and Highways Code.

B. RESOLUTION:

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Brea as follows:

1. In all respects as set forth in the Recitals, Part A, of this Resolution.
2. The above-described report submitted by the Director of Public Works relating to City of Brea Lighting Assessment District No. 4 is hereby approved as filed.
3. This Council hereby declares its intention to levy and collect assessments during fiscal year 2019-2020 pursuant to Division 15 of the Streets and Highways Code of

the State of California, known as the "Landscaping and Lighting Act of 1972," on that area designated "City of Brea Lighting District No. 4," an area encompassed by Final Tract Nos. 10224, 10324, 10325, 10327 and 9298 and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

4. A general description of the improvements proposed for the aforementioned district is as follows:

The maintenance and possible future replacement of lighting, and any facilities which are appurtenant thereto or which are necessary or convenient for the maintenance and servicing thereof, including grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks or paving, or water, irrigation, drainage, or electrical facilities. Said maintenance and servicing of said lighting shall be in the area of Tract Nos. 10224, 10324, 10325, 10326, 10327, and 9298.

5. Reference hereby is made to the report of the Director of Public Works relating to the said assessment district herein above approved. Said report is on file with the City Clerk of the City of Brea and contains a full and detailed description of the improvements, the boundaries of the assessment district and contains the proposed assessments upon assessable lots and parcels of land within City of Brea Lighting District No. 4 for fiscal year 2019-2020. Said proposed assessment per lot is in the amount of \$12.00.

6. This Council hereby fixes 7:00 p.m. on June 4, 2019, in the Council Chambers, Brea Civic and Cultural Center, 1 Civic Center Circle, Brea, California, as the time and place for a hearing before this Council on the question of the levy of the

proposed assessments on City of Brea Lighting Assessment District No. 4 for fiscal year 2019-2020 and hereby gives notice of said hearing.

7. The City Clerk shall do the following:

a. Certify to the adoption of this Resolution;

b. Cause a true and correct copy of this Resolution to be published once in a newspaper of general circulation located within the City of Brea at least ten days prior to June 4, 2019.

APPROVED AND ADOPTED this 16th day of April, 2019.

Mayor

ATTEST: _____
City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea held on the 16th day of April, 2019, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

DATED: _____

City Clerk

EXHIBIT "A"

LEGAL DESCRIPTION

LIGHTING ASSESSMENT DISTRICT NO. 4

LIGHTING ASSESSMENT DISTRICT NO. 4 INCLUDES ALL THE PROPERTIES LOCATED IN THE CITY OF BREA WITHIN TRACT NO. 10224 AS SHOWN ON A MAP RECORDED IN BOOK 436, PAGES 13 THROUGH 16 INCLUSIVE, TRACT NO. 10324 AS SHOWN ON A MAP RECORDED IN BOOK 447, PAGES 3 THROUGH 5 INCLUSIVE, TRACT NO. 10325 AS SHOWN ON A MAP RECORDED IN BOOK 461, PAGES 9 THROUGH 12 INCLUSIVE, TRACT NO. 10326 AS SHOWN ON A MAP RECORDED IN BOOK 461, PAGES 13 THROUGH 16 INCLUSIVE, TRACT NO. 10327 AS SHOWN ON A MAP RECORDED IN BOOK 461, PAGES 17 THROUGH 20 INCLUSIVE, AND TRACT NO. 9298 AS SHOWN ON A MAP RECORDED IN BOOK 476, PAGES 5 THROUGH 7 INCLUSIVE, ALL OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA
APPROVING THE REPORT FILED PURSUANT TO SECTION 22623 OF
THE STREETS AND HIGHWAYS CODE WITH RESPECT TO CITY OF
BREA LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 5
AND FIXING AND GIVING NOTICE OF A TIME AND PLACE FOR A
PUBLIC HEARING ON THE LEVY OF AN ASSESSMENT ON SAID
DISTRICT FOR FISCAL YEAR 2019-2020**

A. RECITALS:

(i) This Council heretofore adopted a resolution creating City of Brea Landscape and Lighting Assessment District No. 5 pursuant to Division 15 of the California Streets and Highways Code.

(ii) The Director of Public Works has prepared, filed with the City Clerk and presented to this Council a report relating to said assessment pursuant to the provisions of Section 22623 of the California Streets and Highways Code.

B. RESOLUTION:

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Brea as follows:

1. In all respects as set forth in the Recitals, Part A, of this Resolution.
2. The above-described report submitted by the Director of Public Works relating to City of Brea Landscape and Lighting Assessment District No. 5 is hereby approved as filed.
3. This Council hereby declares its intention to levy and collect assessments during fiscal year 2019-2020 pursuant to Division 15 of the Streets and Highways Code of the State of California, known as the "Landscape and Lighting Act of 1972," on that area

designated "City of Brea Landscape and Lighting Assessment District No. 5," an area encompassed by Final Tract Nos. 9111, 9414, & 9473 and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

4. A general description of the improvements proposed for the aforementioned district is as follows:

The maintenance and possible future replacement of lighting, landscaping and any facilities which are appurtenant thereto or which are necessary or convenient for the maintenance and servicing thereof, including grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks or paving, or water, irrigation, drainage, or electrical facilities. Said maintenance and servicing of said lighting shall be in the area of Tract Nos. 9111, 9414 and 9473. Said landscaping and related facilities shall be in the lettered lots, common parking bays and related planters within Final Tract Nos. 9111, 9414, and 9473.

5. Reference hereby is made to the report of the Director of Public Works relating to the said assessment district herein above approved. Said report is on file with the City Clerk of the City of Brea and contains a full and detailed description of the improvements, the boundaries of the assessment district and contains the proposed assessments upon assessable lots and parcels of land within City of Brea Landscape and Lighting Assessment District No. 5 for fiscal year 2019-2020. Said proposed assessment per lot is in the amount of \$914.62, as detailed in said report of the Director of Public Works.

6. This Council hereby fixes 7:00 p.m. on June 4, 2019, in the Council Chambers, Brea Civic and Cultural Center, 1 Civic Center Circle, Brea, California, as the time and place for a hearing before this Council on the question of the levy of the

proposed assessments on City of Brea Landscape and Lighting Assessment District No. 5 for fiscal year 2019-2020 and hereby gives notice of said hearing.

7. The City Clerk shall do the following:

a. Certify to the adoption of this Resolution;

b. Cause a true and correct copy of this Resolution to be published once in a newspaper of general circulation located within the City of Brea at least ten days prior to June 4, 2019.

APPROVED AND ADOPTED this 16th day of April, 2019.

Mayor

ATTEST: _____
City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea held on the 16th day of April, 2019, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

DATED: _____

City Clerk

EXHIBIT "A"

LEGAL DESCRIPTION

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 5

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 5 INCLUDES ALL THE PROPERTIES IN THE CITY OF BREA LOCATED WITHIN THE TRACT BOUNDARY OF TRACT NO. 9111 RECORDED IN BOOK 374, PAGES 24, 25 AND 26 OF TRACT NO. 9414 RECORDED IN BOOK 409, PAGES 8 AND 9, AND OF TRACT NO. 9473 RECORDED IN BOOK 291, PAGES 26, 27 AND 28, ALL OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA
APPROVING THE REPORT FILED PURSUANT TO SECTION 22623 OF
THE STREETS AND HIGHWAYS CODE WITH RESPECT TO CITY OF
BREA LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 6
AND FIXING AND GIVING NOTICE OF A TIME AND PLACE FOR A
PUBLIC HEARING ON THE LEVY OF AN ASSESSMENT ON SAID
DISTRICT FOR FISCAL YEAR 2019-2020**

A. RECITALS:

(i) This Council heretofore adopted a resolution creating City of Brea Landscape and Lighting Assessment District No. 6 pursuant to Division 15 of the California Streets and Highways Code.

(ii) The Director of Public Works has prepared, filed with the City Clerk and presented to this Council a report relating to said assessment pursuant to the provisions of Section 22623 of the California Streets and Highways Code.

B. RESOLUTION:

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Brea as follows:

1. In all respects as set forth in the Recitals, Part A, of this Resolution.
2. The above-described report submitted by the Director of Public Works relating to City of Brea Landscape and Lighting Assessment District No. 6 is hereby approved as filed.
3. This Council hereby declares its intention to levy and collect assessments during fiscal year 2019-2020 pursuant to Division 15 of the Streets and Highways Code of

the State of California, known as the "Landscape and Lighting Act of 1972," on that area designated "City of Brea Landscape and Lighting Assessment District No. 6," an area encompassed by Final Tract Nos. 8820, 9531, and 9532, and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

4. A general description of the improvements proposed for the aforementioned district is as follows:

The maintenance and possible future replacement of lighting, landscaping and any facilities which are appurtenant thereto or which are necessary or convenient for the maintenance and servicing thereof, including grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks or paving, or water, irrigation, drainage, or electrical facilities. Said maintenance and servicing of said lighting shall be in the area of Tract Nos. 8820, 9531, and 9532. Said landscaping and related facilities shall be in the lettered lots, common parking bays and related planters within Final Tract Nos. 8820, 9531, and 9532.

5. Reference hereby is made to the report of the Director of Public Works relating to the said assessment district herein above approved. Said report is on file with the City Clerk of the City of Brea and contains a full and detailed description of the improvements, the boundaries of the assessment district and contains the proposed assessments upon assessable lots and parcels of land within City of Brea Landscape and Lighting Assessment District No. 6 for fiscal year 2019-2020. Said proposed assessment per lot is in the amount of \$1450.35, as detailed in said report of the Director of Public Works.

6. This Council hereby fixes 7:00 p.m. on June 4, 2019, in the Council

Chambers, Brea Civic and Cultural Center, 1 Civic Center Circle, Brea, California, as the time and place for a hearing before this Council on the question of the levy of the proposed assessments on City of Brea Landscape and Lighting Assessment District No. 6 for fiscal year 2019-2020 and hereby gives notice of said hearing.

7. The City Clerk shall do the following:

- a. Certify to the adoption of this Resolution;
- b. Cause a true and correct copy of this Resolution to be published once in a newspaper of general circulation located within the City of Brea at least ten days prior to June 4, 2019.

APPROVED AND ADOPTED this 16th day of April, 2019.

Mayor

ATTEST: _____
City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea held on the 16th day of April, 2019, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

DATED: _____

City Clerk

EXHIBIT "A"

LEGAL DESCRIPTION

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 6

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 6 INCLUDES ALL THE PROPERTIES IN THE CITY OF BREA LOCATED WITHIN THE TRACT BOUNDARY OF TRACT NO. 8820, RECORDED IN BOOK 454, PAGES 19 THROUGH 24 INCLUSIVE, TRACT NO. 9531, RECORDED IN BOOK 423, PAGES 24 THROUGH 28 INCLUSIVE, AND TRACT NO. 9532 RECORDED IN BOOK 454, PAGES 25 THROUGH 28, ALL OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BREA APPROVING THE REPORT FILED PURSUANT TO SECTION 22623 OF THE STREETS AND HIGHWAYS CODE WITH RESPECT TO CITY OF BREA LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 7 AND FIXING AND GIVING NOTICE OF A TIME AND PLACE FOR A PUBLIC HEARING ON THE LEVY OF AN ASSESSMENT ON SAID DISTRICT FOR FISCAL YEAR 2019-2020

A. RECITALS:

(i) This Council heretofore adopted a resolution creating City of Brea Landscape and Lighting Assessment District No. 7 pursuant to Division 15 of the California Streets and Highways Code.

(ii) The Director of Public Works has prepared, filed with the City Clerk and presented to this Council a report relating to said assessment pursuant to the provisions of Section 22623 of the California Streets and Highways Code.

B. RESOLUTION:

NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED by the City Council of the City of Brea as follows:

1. In all respects as set forth in the Recitals, Part A, of this Resolution.
2. The above-described report submitted by the Director of Public Works relating to City of Brea Landscape and Lighting Assessment District No. 7 is hereby approved as filed.
3. This Council hereby declares its intention to levy and collect assessments during fiscal year 2019-2020 pursuant to Division 15 of the Streets and Highways Code of

the State of California, known as the "Landscape and Lighting Act of 1972," on that area designated "City of Brea Landscape and Lighting Assessment District No. 7," an area encompassed by Final Tract Nos. 14658, 14657, 15070 and 14656, and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

4. A general description of the improvements proposed for the aforementioned district is as follows:

The maintenance and possible future replacement of lighting, landscaping and any facilities which are appurtenant thereto or which are necessary or convenient for the maintenance and servicing thereof, including grading, clearing, removal of debris, the installation or construction of curbs, gutters, walls, sidewalks or paving, or water, irrigation, drainage, or electrical facilities. Said maintenance and servicing of said lighting shall be in the area of Tract Nos. 14658, 14657, 15070 and 14656. Said landscaping and related facilities shall be in the lettered lots, common parking bays and related planters within Final Tract Nos. 14658, 14657, 15670 and 14656.

5. Reference hereby is made to the report of the Director of Public Works relating to the said assessment district herein above approved. Said report is on file with the City Clerk of the City of Brea and contains a full and detailed description of the improvements, the boundaries of the assessment district and contains the proposed assessments upon assessable lots and parcels of land within City of Brea Landscape and Lighting Assessment District No. 7 for fiscal year 2019-2020. Said proposed assessment per lot is in the amount of \$305.56, as detailed in said report of the Director of Public Works.

6. This Council hereby fixes 7:00 p.m. on June 4, 2019, in the Council Chambers, Brea Civic and Cultural Center, 1 Civic Center Circle, Brea, California, as the time and place for a hearing before this Council on the question of the levy of the proposed assessments on City of Brea Landscape and Lighting Assessment District No. 7 for fiscal year 2019-2020 and hereby gives notice of said hearing.

7. The City Clerk shall do the following:

a. Certify to the adoption of this Resolution;

b. Cause a true and correct copy of this Resolution to be published once in a newspaper of general circulation located within the City of Brea at least ten days prior to June 4, 2019.

APPROVED AND ADOPTED this 16th day of April, 2019.

Mayor

ATTEST: _____
City Clerk

I, Lillian Harris-Neal, City Clerk of the City of Brea, do hereby certify that the foregoing Resolution was adopted at a regular meeting of the City Council of the City of Brea held on the 16th day of April, 2019, by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAINED: COUNCIL MEMBERS:

DATED: _____

City Clerk

EXHIBIT "A"

LEGAL DESCRIPTION

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 7

LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 7 INCLUDES ALL THE PROPERTIES IN THE CITY OF BREA LOCATED WITHIN THE TRACT BOUNDARY OF TRACT NO. 14656, RECORDED IN BOOK 746, PAGES 47 THROUGH 49 INCLUSIVE, TRACT NO. 14658, RECORDED IN BOOK 724, PAGES 9 THROUGH 11 INCLUSIVE, TRACT NO. 14657 RECORDED IN BOOK 733, PAGES 15 THROUGH 17 INCLUSIVE, TRACT NO. 15070, RECORDED IN BOOK 738, PAGES 27 THROUGH 30 INCLUSIVE, ALL OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

**Landscape and Lighting
Maintenance District
No. 1
City of Brea**

Prepared under the authority of the
Landscape and Lighting Act of 1972
Streets and Highways Code
State of California

Fiscal Year 2019-20

Submitted by:

Tony Olmos
Director of Public Works

April 16, 2019

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City of Brea

April 16, 2019

Honorable Mayor and City Council
City of Brea
1 Civic Center Circle
Brea, CA 92821-5732

Re: Engineer's Report, Landscape & Lighting Maintenance District No. 1

Transmitted herewith for your review and consideration is a report entitled, "Landscape and Lighting Maintenance District No. 1, City of Brea."

This report has been prepared in accordance with the Landscape and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code. The report includes all the requirements of the Landscape and Lighting Act of 1972 and the Streets and Highways Code, with particular reference to annual assessments after formation thereof of the District.

The report is submitted herewith for consideration at your next meeting to set a hearing date for the purpose of levying an annual assessment (Streets and Highways Code, Section 22620 to Section 22631).

Respectfully submitted,

Tony Olmos, P.E., Director
Public Works Department

s:\maintenance\maint districts\assessment 19-20\lmd1 1920.doc
City Council **Christine Marick**
Mayor

Marty Simonoff
Mayor Pro Tem

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

Introduction and Background

Introduction:

This report has been prepared and is submitted for consideration by the City Council of the City of Brea under the authority of the Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code.

Background:

The City Council of the City of Brea adopted and approved Resolution Nos. 82-57 and 82-58 detaching certain territory from Landscape and Lighting Maintenance District No. 1 adopted by Resolution No. 76-74 and adopted Resolution No. 82-59 creating amended Maintenance District No. 1 in the City of Brea.

The creating of Lighting and Maintenance District No. 1 in the City of Brea was a requirement of the City of Brea for the development of Tentative Tract No. 8820, known as the "Canyon Country" development project. The amended Landscape and Lighting Maintenance District No. 1 was subsequently formed June 1, 1982 by Resolution No. 82-59.

The formation of the amended district and the levy of the first annual assessment was completed in accordance with the requirements of the Landscaping and Lighting Act of 1972 on June 1, 1982.

The purpose of this report is to be utilized by the City Staff, the City Council, and the County Assessor in the levy and collection of an annual assessment after formation of an assessment district under the requirements of the Landscaping and Lighting Act of 1972 (State of California and Highways Code, Section 22620 to 22631).

PART A PLANS AND SPECIFICATIONS

The facilities, which consist of greenbelt areas and theme lighting, will be operated, serviced and maintained as generally described as follows:

Landscaping and Appurtenant Facilities

Facilities include but are not limited to: landscaping, planting, shrubbery, trees, irrigation systems, hardscapes, fixtures, sidewalk maintenance resulting from landscape growth and appurtenant facilities, in Public Street and sidewalk rights-of-way, including medians, parkways and dedicated easements within the boundaries of the Assessment District.

Lighting, Traffic Signals and Appurtenant Facilities

Facilities include but are not limited to: Poles, fixtures, bulbs, conduits, conductors, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide lighting and traffic signals in public street and sidewalk rights-of-way and dedicated easements within the boundaries of the Assessment District.

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the landscaping, public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the landscaping, public lighting facilities or appurtenant facilities; providing for the life, growth, health and beauty of the landscaping, including cultivation, irrigation, trimming, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris and other solid waste; and the cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

Servicing means the furnishing of water for the irrigation of the landscaping and the maintenance of any of the public lighting facilities or appurtenant facilities and the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or operation of the landscaping or appurtenant facilities.

The plans and specifications for the improvements, showing and describing the general nature, location, and the extent of the improvements, are on file in the office of the Director of Public Works and are incorporated herein by reference.

PART B ESTIMATE OF COST

The estimated cost of the operation, servicing and maintenance of the street and sidewalk improvements for Fiscal Year 2019-20, as described in Part A, are summarized herein and described below.

MAINTENANCE DISTRICT # 1 - ANNUAL COST FACTORS

| Acct # | Description | FY 19-20 Est. |
|-------------------------|--|-----------------|
| 1. Fixed Costs | | Expenses |
| 4111 | Salaries & Benefits | \$13,100 |
| 4113 | Overtime | \$100 |
| 4243 | Engineering | \$0 |
| 4244 | Legal | \$0 |
| 4412 | Property Tax Collection | \$180 |
| | Fixed Costs Totals | \$13,380 |
| 2. ROUTINE COSTS | | |
| 4211 | Postage | \$100 |
| 4249 | Professional Svcs/Other | \$3,500 |
| 4261 | Svc & Repair Equipment | \$300 |
| 4266 | Contract Services/Grounds Maintenance | \$14,500 |
| 4282 | Electric | \$1,800 |
| 4285 | Water | \$18,850 |
| 4337 | Electrical Supplies & Parts | 250 |
| 4441 | Miscellaneous Expense | \$0 |
| 5800 | Insurance and Other Expenses | \$1,489 |
| | Routine Costs Totals | \$40,789 |
| | Total Costs (Fixed & Routine) | \$54,169 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | FY 2019-20 Annual Assessments | \$55,929 |
| | Reserve Fund Requirement: | |
| | Operating Reserve – 50% (6 months)* | \$0 |
| | Capital Replacement Reserve** | |
| | Estimated Balance 1-July-2019 | \$2,598 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | Less planned capital expenditures | \$0 |
| | Estimated Fund Balance 30-Jun-2020 | \$4,358 |

*The Operating Reserve fund is being established for the District to cover the first six months of expenses annually before collection from the County has been received, as well as unexpected expenses. The funds will not exceed 50% of the anticipated annual expenditures, in anticipation of any maintenance costs that can and do occur during the year.

**The Capital Replacement Reserve fund is established to fund the replacement or refurbishment of components based on life expectancy and value of the improvements within the district. Based on the current fund balance, there are insufficient funds to cover the replacement expenses of the existing improvements.

The 1972 Act requires that a special fund be set up for the revenues and expenditures of the Districts. Funds raised by assessment shall be used only for the purpose as stated herein. A contribution to the Districts by the City may be made to reduce assessments, as the City Council deems appropriate. Any balance or deficit remaining on July 1 must be carried over to the next fiscal year.

PART C

METHOD OF APPORTIONMENT OF ASSESSMENT

GENERAL

Part 2 of Division 15 of the Streets and Highways Code, the Landscaping and Lighting Act of 1972, permits the establishment of assessment districts by cities for the purpose of providing certain public improvements which include construction, operation, maintenance and servicing of street lights, traffic signals and landscaping.

Section 22573 of the Landscaping and Lighting Act of 1972 (the 1972 Act) requires that maintenance assessments be levied according to benefit rather than according to assessed value. This section states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

The 1972 Act permits the designation of zones of benefit within any individual assessment district if "by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements." (Sec. 22574). Thus, the 1972 Act requires the levy of a true "assessment" based on the actual benefit rather than a "special tax."

ASSESSMENT METHODOLOGY

The parcels of land in the District are single family residential (SFR) lots, with each of these lots benefiting equally from the improvements being maintained. Therefore, the costs associated with the landscaping and lighting within and directly adjacent to the tract will be apportioned on a residential lot basis as follows:

$$\$55,929 / 103 \text{ SFR's} = \$543.00 / \text{SFR}$$

PART D ASSESSMENT ROLL

The amount of the total proposed assessment for Fiscal Year 2019-20 apportioned to each lot or parcel within the District, as shown on the latest assessment roll at the Orange County Assessor's Office, is contained in the Assessment Roll provided below.

The description of each lot or parcel is part of the Orange County assessment roll and this roll is, by reference, made part of this Report.

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|----------|------|----------|-----|-------|----------|------|----------|-----|-------|----------|
| 1 | 31920129 | 1 | 9121 | \$543.00 | 36 | 31921217 | 8 | 9342 | \$543.00 | 71 | 31921328 | 39 | 9341 | \$543.00 |
| 2 | 31920128 | 2 | 9121 | \$543.00 | 37 | 31921216 | 9 | 9342 | \$543.00 | 72 | 31921329 | 40 | 9341 | \$543.00 |
| 3 | 31920127 | 3 | 9121 | \$543.00 | 38 | 31921201 | 10 | 9342 | \$543.00 | 73 | 31921330 | 41 | 9341 | \$543.00 |
| 4 | 31920126 | 4 | 9121 | \$543.00 | 39 | 31921202 | 11 | 9342 | \$543.00 | 74 | 31921331 | 42 | 9341 | \$543.00 |
| 5 | 31920125 | 5 | 9121 | \$543.00 | 40 | 31921203 | 12 | 9342 | \$543.00 | 75 | 31921327 | 1 | 9341 | \$543.00 |
| 6 | 31920124 | 6 | 9121 | \$543.00 | 41 | 31921204 | 13 | 9342 | \$543.00 | 76 | 31921328 | 2 | 9341 | \$543.00 |
| 7 | 31920123 | 7 | 9121 | \$543.00 | 42 | 31921205 | 14 | 9342 | \$543.00 | 77 | 31921329 | 3 | 9341 | \$543.00 |
| 8 | 31920122 | 8 | 9121 | \$543.00 | 43 | 31921206 | 15 | 9342 | \$543.00 | 78 | 31921330 | 4 | 9341 | \$543.00 |
| 9 | 31920121 | 9 | 9121 | \$543.00 | 44 | 31921207 | 16 | 9342 | \$543.00 | 79 | 31921331 | 5 | 9341 | \$543.00 |
| 10 | 31920120 | 10 | 9121 | \$543.00 | 45 | 31921208 | 17 | 9342 | \$543.00 | 80 | 31921332 | 6 | 9341 | \$543.00 |
| 11 | 31920119 | 11 | 9121 | \$543.00 | 46 | 31921209 | 18 | 9342 | \$543.00 | 81 | 31921333 | 7 | 9341 | \$543.00 |
| 12 | 31920118 | 12 | 9121 | \$543.00 | 47 | 31921210 | 19 | 9342 | \$543.00 | 82 | 31921334 | 8 | 9341 | \$543.00 |
| 13 | 31920117 | 13 | 9121 | \$543.00 | 48 | 31921212 | 20 | 9342 | \$543.00 | 83 | 31921335 | 9 | 9341 | \$543.00 |
| 14 | 31920116 | 14 | 9121 | \$543.00 | 49 | 31921211 | 21 | 9342 | \$543.00 | 84 | 31921336 | 10 | 9341 | \$543.00 |
| 15 | 31920115 | 15 | 9121 | \$543.00 | 50 | 31921213 | 22 | 9342 | \$543.00 | 85 | 31921337 | 11 | 9341 | \$543.00 |
| 16 | 31920114 | 16 | 9121 | \$543.00 | 51 | 31921214 | 23 | 9342 | \$543.00 | 86 | 31921338 | 12 | 9341 | \$543.00 |
| 17 | 31920113 | 17 | 9121 | \$543.00 | 52 | 31921215 | 24 | 9342 | \$543.00 | 87 | 31921339 | 13 | 9341 | \$543.00 |
| 18 | 31920112 | 18 | 9121 | \$543.00 | 53 | 31921101 | 25 | 9342 | \$543.00 | 88 | 31921306 | 14 | 9341 | \$543.00 |
| 19 | 31920111 | 19 | 9121 | \$543.00 | 54 | 31921102 | 26 | 9342 | \$543.00 | 89 | 31921305 | 15 | 9341 | \$543.00 |
| 20 | 31920110 | 20 | 9121 | \$543.00 | 55 | 31921103 | 27 | 9342 | \$543.00 | 90 | 31921304 | 16 | 9341 | \$543.00 |
| 21 | 31920109 | 21 | 9121 | \$543.00 | 56 | 31921104 | 28 | 9342 | \$543.00 | 91 | 31921303 | 17 | 9341 | \$543.00 |
| 22 | 31920108 | 22 | 9121 | \$543.00 | 57 | 31921105 | 29 | 9342 | \$543.00 | 92 | 31921302 | 18 | 9341 | \$543.00 |
| 23 | 31920107 | 23 | 9121 | \$543.00 | 58 | 31921106 | 30 | 9342 | \$543.00 | 93 | 31921301 | 19 | 9341 | \$543.00 |
| 24 | 31920106 | 24 | 9121 | \$543.00 | 59 | 31921107 | 31 | 9342 | \$543.00 | 94 | 31921317 | 20 | 9341 | \$543.00 |
| 25 | 31920105 | 25 | 9121 | \$543.00 | 60 | 31921108 | 32 | 9342 | \$543.00 | 95 | 31921316 | 21 | 9341 | \$543.00 |
| 26 | 31920104 | 26 | 9121 | \$543.00 | 61 | 31921109 | 33 | 9342 | \$543.00 | 96 | 31921315 | 22 | 9341 | \$543.00 |
| 27 | 31920103 | 27 | 9121 | \$543.00 | 62 | 31921319 | 30 | 9341 | \$543.00 | 97 | 31921314 | 23 | 9341 | \$543.00 |
| 28 | 31920102 | 28 | 9121 | \$543.00 | 63 | 31921320 | 31 | 9341 | \$543.00 | 98 | 31921313 | 24 | 9341 | \$543.00 |
| 29 | 31921224 | 1 | 9342 | \$543.00 | 64 | 31921321 | 32 | 9341 | \$543.00 | 99 | 31921312 | 25 | 9341 | \$543.00 |
| 30 | 31921223 | 2 | 9342 | \$543.00 | 65 | 31921322 | 33 | 9341 | \$543.00 | 100 | 31921311 | 26 | 9341 | \$543.00 |
| 31 | 31921222 | 3 | 9342 | \$543.00 | 66 | 31921323 | 34 | 9341 | \$543.00 | 101 | 31921310 | 27 | 9341 | \$543.00 |
| 32 | 31921221 | 4 | 9342 | \$543.00 | 67 | 31921324 | 35 | 9341 | \$543.00 | 102 | 31921308 | 28 | 9341 | \$543.00 |
| 33 | 31921220 | 5 | 9342 | \$543.00 | 68 | 31921325 | 36 | 9341 | \$543.00 | 103 | 31921309 | 29 | 9341 | \$543.00 |
| 34 | 31921219 | 6 | 9342 | \$543.00 | 69 | 31921326 | 37 | 9341 | \$543.00 | | | | | |
| 35 | 31921218 | 7 | 9342 | \$543.00 | 70 | 31921327 | 38 | 9341 | \$543.00 | | | | | |

PART E

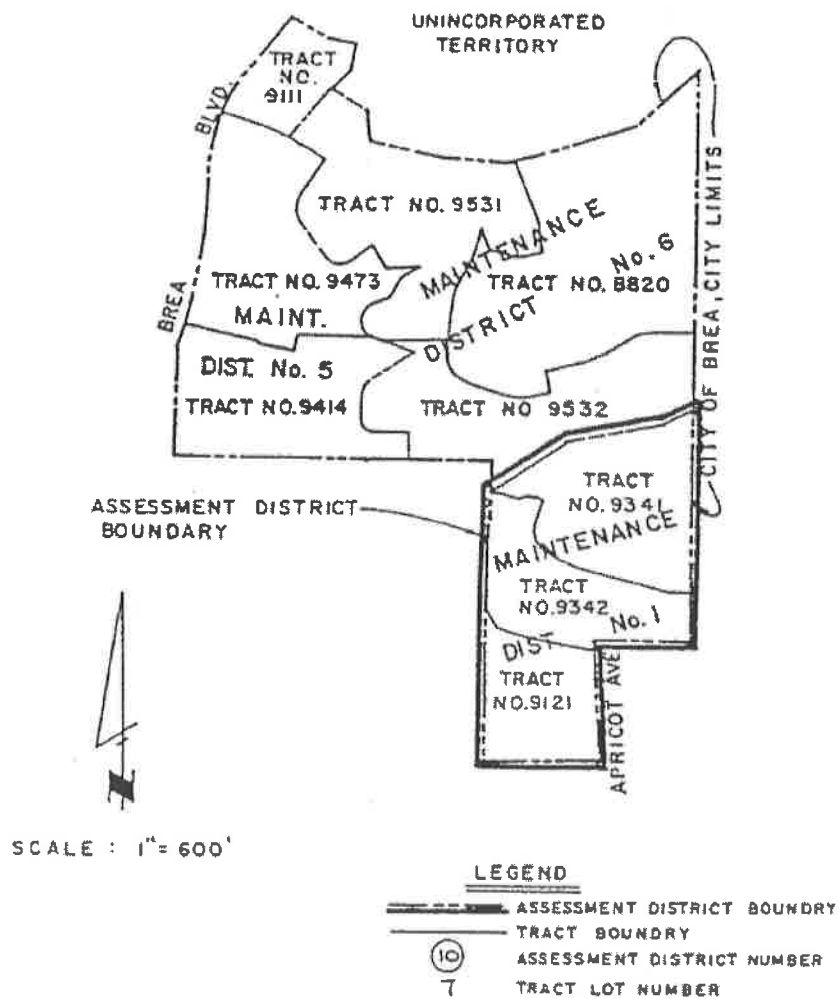
ASSESSMENT DISTRICTS' BOUNDARIES

A diagram of the boundaries of Landscape and Lighting Maintenance District No. 1 is included herein.

District No. 1 is generally located east, north of State College Boulevard, adjacent to Fanning School, and includes Tract Nos. 9121, 9341 and 9342.

District No. 1 includes all of the properties in the City of Brea located within the tract boundary of Tract No. 9121 recorded in Book 378, Pages 49 and 50; Tract No. 9341 recorded in Book 395, Pages 28, 29 and 30; and of Tract No. 9342 recorded in Book 386, Pages 41, 42 and 43, all of Miscellaneous Maps, records of Orange County, California.

Also, the lines and dimensions of each lot or parcel within the Districts are those lines and dimensions shown on the maps of the Assessor of the County of Orange for Fiscal Year 2019-20. The Assessor's maps and records are incorporated by reference herein and made part of this report.



103 PARCELS

SHEET 1 OF

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 1

IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

NO. 10781 20 (unrecorded) LOTS

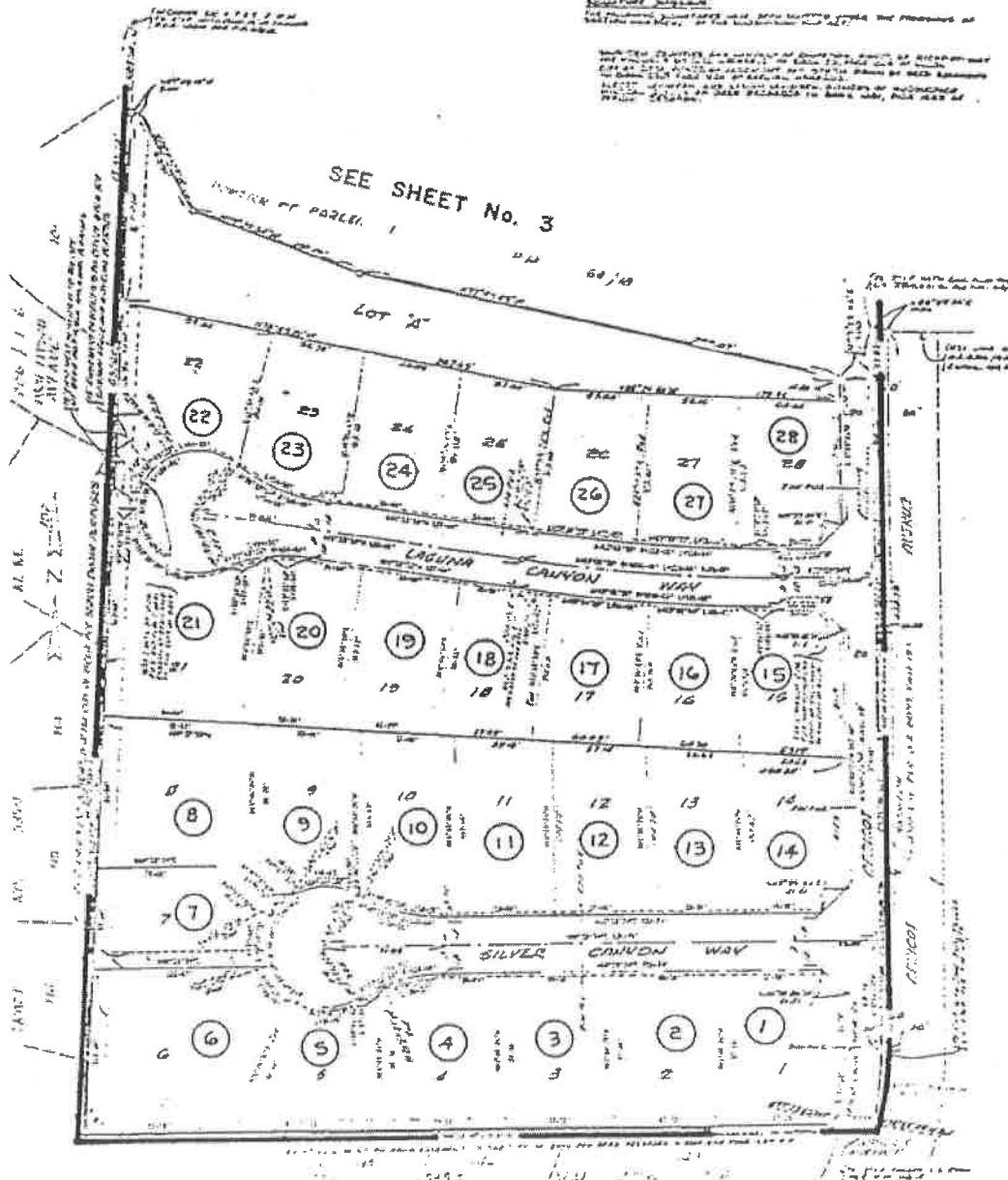
TRACT NO. 9121
COUNTY OF ORANGE, STATE OF CALIFORNIA.



STANLEY C. MORSE, L.S. 3540

NOVEMBER, 1978

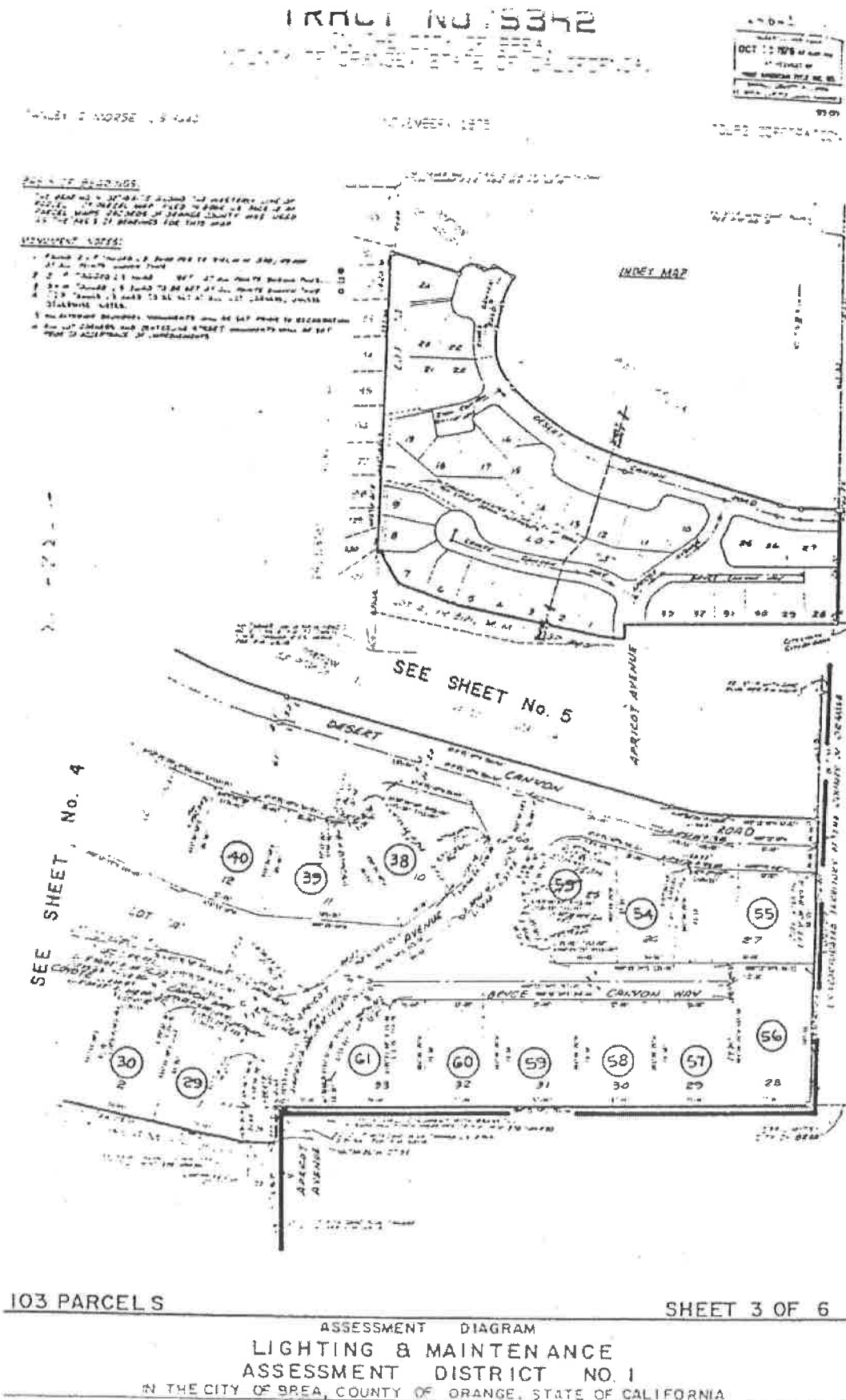
TRIPS CORPORATION



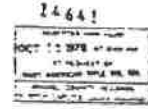
103 PARCELS

SHEET 2 OF 6

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 1
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA



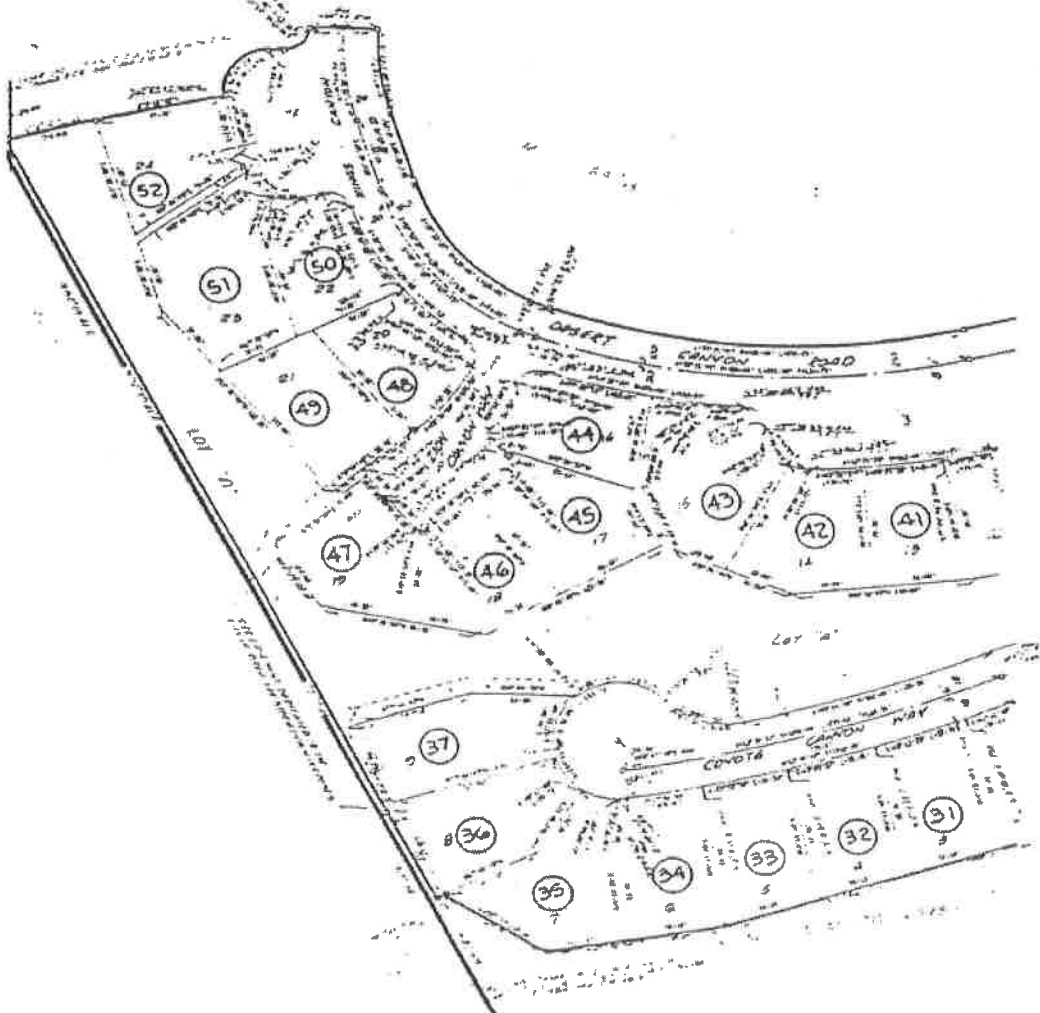
TRACT NO. 9342



NO. 1000000000

NO. 1000000000

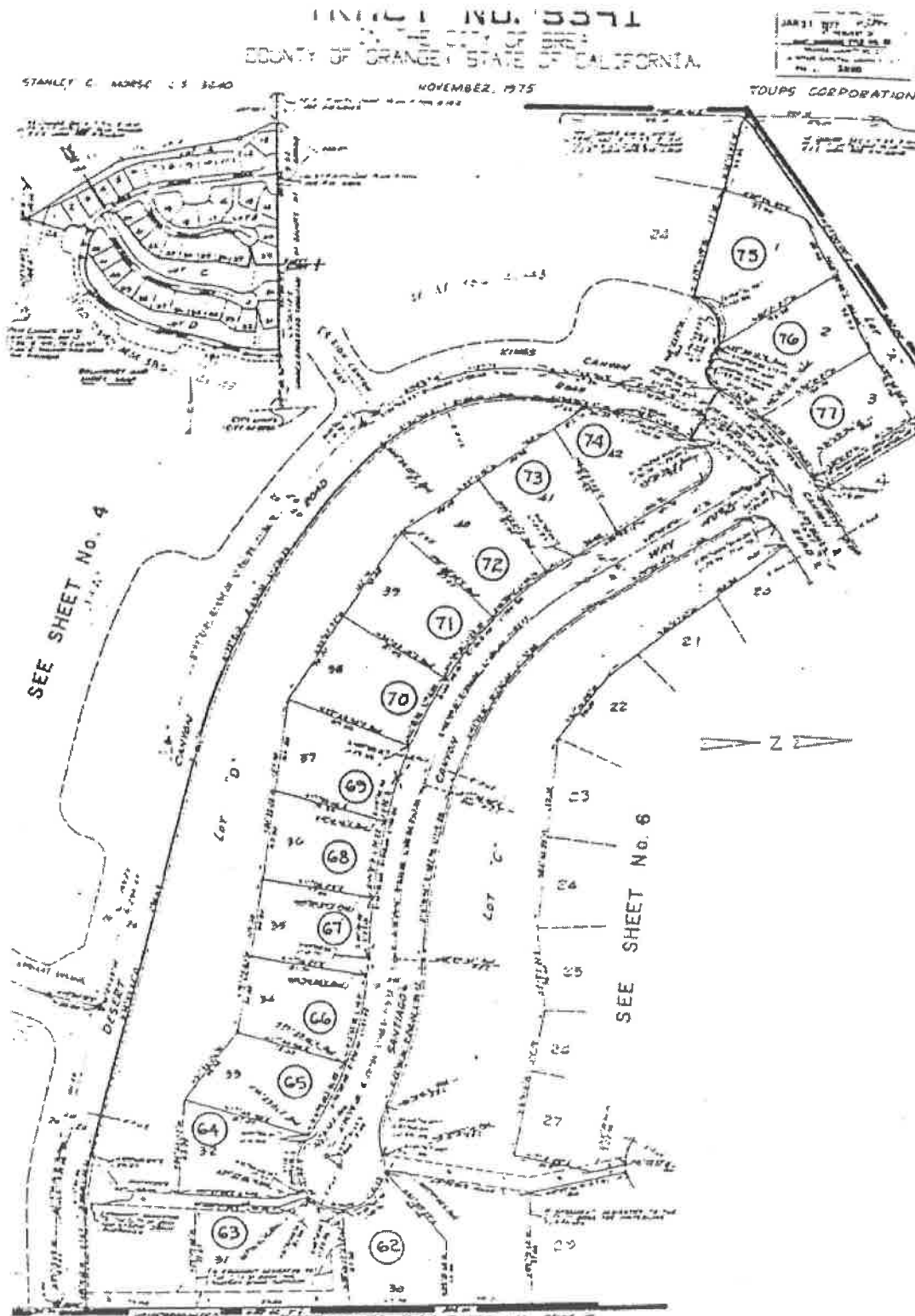
SEE SHEET No. 5



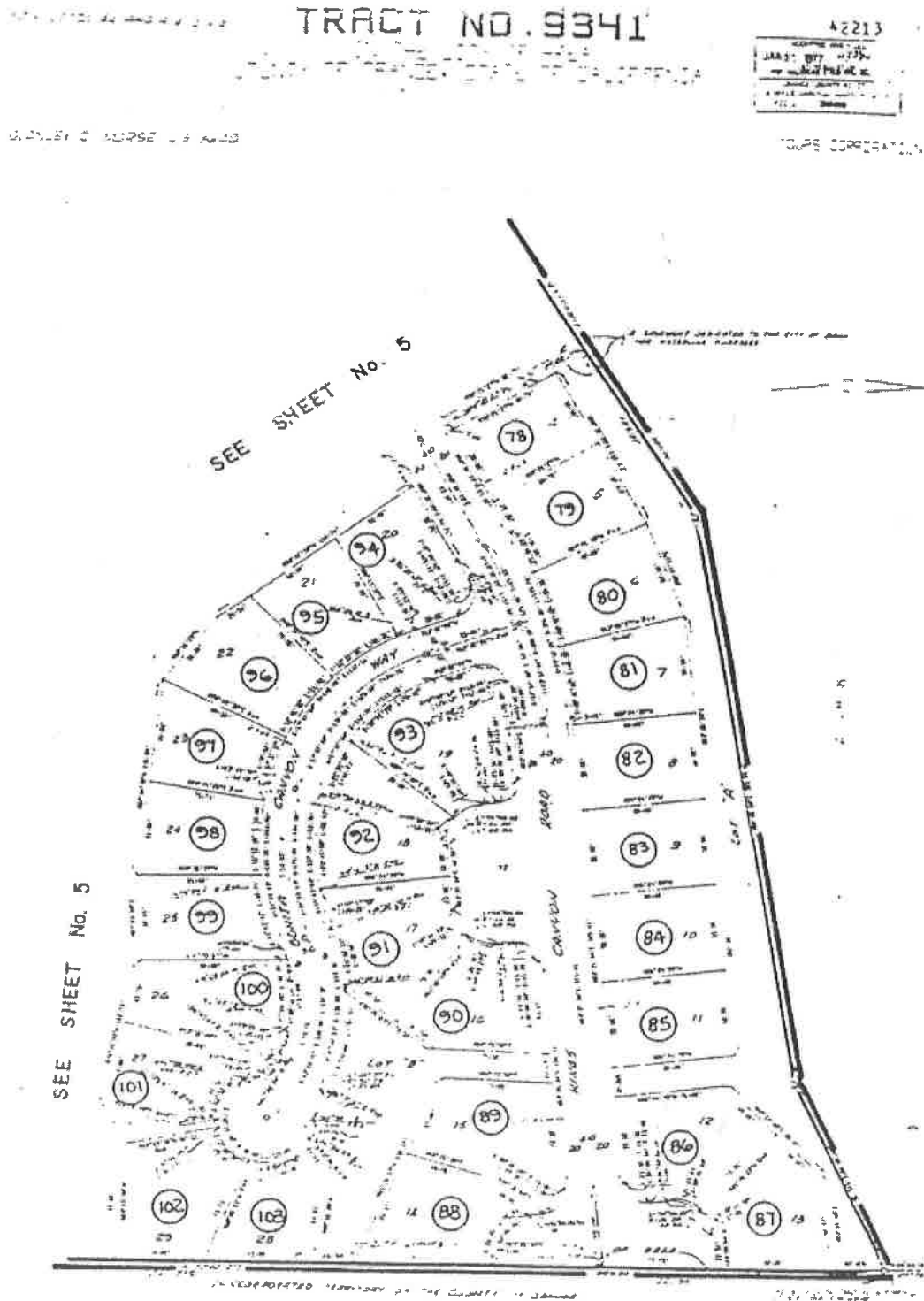
103 PARCELS

SHEET 4 OF 6

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 1
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA



ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 1
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA



**Lighting
Maintenance District
No. 2
City of Brea**

**Prepared under the authority of the
Landscaping and Lighting Act of 1972
Streets and Highways Code
State of California**

Fiscal Year 2019-20

Submitted by:

**Tony Olmos
Director of Public Works**

April 16, 2019

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City of Brea

April 16, 2019

Honorable Mayor and City Council
City of Brea
1 Civic Center Circle
Brea, CA 92821-5732

Re: Engineer's Report, Lighting Maintenance District No. 2

Transmitted herewith for your review and consideration is a report entitled, "Lighting Maintenance District No. 2, City of Brea."

This report has been prepared in accordance with the Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code. The report includes all the requirements of the Landscaping and Lighting Act of 1972 and the Streets and Highways Code, with particular reference to annual assessments after formation thereof of the District.

The report is submitted herewith for consideration at your next meeting to set a hearing date for the purpose of levying an annual assessment (Streets and Highways Code, Section 22620 to Section 22631).

Respectfully submitted,

Tony Olmos, Director
Public Works Department

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City Council **Christine Marick**
Mayor

Marty Simonoff
Mayor Pro Tem

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

Introduction and Background

Introduction:

This report has been prepared and is submitted for consideration by the City Council of the City of Brea under the authority of the Landscaping and Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code.

Background:

The City Council of the City of Brea adopted and approved Resolution No. 78-76, creating Lighting and Maintenance District No. 2 in the City of Brea.

The creation of Lighting and Maintenance District No. 2 in the City of Brea was a requirement of the City of Brea for the development of Tentative Tract No. 8857, known as "North Hills" development project.

No landscape maintenance is included in this district as the slopes are to be maintained by the homeowner or the homeowners' association, as required by the Conditions of Approval for Tentative Tract No. 8857.

The formation of the district and the levy of the first annual assessment was completed in accordance with the requirements of the Landscaping and Lighting Act of 1972 on July 5, 1978, by City Council Resolution No. 78-76.

The purpose of this report is to be utilized by the staff, the City Council, and the County Assessor in the levy and collection of an annual assessment after formation of an assessment district under the requirements of the Landscaping and Lighting Act of 1972 (State of California Streets and Highways Code, Section 22620 to 22631).

PART A PLANS AND SPECIFICATIONS

The facilities, which consist of street lighting, will be operated, serviced and maintained as generally described as follows:

Lighting, Traffic Signals and Appurtenant Facilities

Facilities include but are not limited to: Poles, fixtures, bulbs, conduits, conductors, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide lighting and traffic signals in public street and sidewalk rights-of-way and dedicated easements within the boundaries of the Assessment District.

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the public lighting facilities or appurtenant facilities; providing for the cleaning, sandblasting, and painting of poles and other improvements for general upkeep and to remove or cover graffiti.

Servicing means the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or appurtenant facilities.

The plans and specifications for the improvements, showing and describing the general nature, location, and the extent of the improvements, are on file in the office of the Director of Public Works and are incorporated herein by reference.

PART B ESTIMATE OF COST

The estimated cost of the operation, servicing and maintenance of the street and sidewalk improvements for Fiscal Year 2019-20, as described in Part A, are summarized herein and described below.

MAINTENANCE DISTRICT # 2 - ANNUAL COST FACTORS

| Acct # | Description | FY 19-20 Est. |
|-------------------------|--|-----------------|
| 1. Fixed Costs | | Expenses |
| 4111 | Salaries & Benefits | \$4,335 |
| 4113 | Overtime | \$100 |
| 4243 | Engineering | \$0 |
| 4244 | Legal | \$0 |
| 4412 | Property Tax Collection | \$20 |
| | Fixed Costs Totals | \$4,455 |
| 2. ROUTINE COSTS | | |
| 4211 | Postage | \$135 |
| 4261 | Svc & Repair Equipment | \$1,400 |
| 4337 | Electrical Supplies & Parts | \$0 |
| 4441 | Miscellaneous Expense | \$0 |
| 5800 | Insurance and Other Expenses | \$379 |
| | Routine Costs Totals | \$1,914 |
| | Total Costs (Fixed & Routine) | \$6,369 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | FY 2019-20 Annual Assessments | \$5,495 |
| | | |
| | Reserve Fund Requirement: | |
| | Operating Reserve – 50% (6 months)* | \$3,184 |
| | Capital Replacement Reserve** | |
| | Estimated Balance 1-July-2019 | \$34,807 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | Less planned capital expenditures | \$0 |
| | Estimated Fund Balance 30-Jun-2020 | \$37,117 |
| | | |

*The Operating Reserve fund is being established for the District to cover the first six months of expenses annually before collection from the County has been received, as well as unexpected expenses. The funds will not exceed 50% of the anticipated annual expenditures, in anticipation of any maintenance costs that can and do occur during the year.

**The Capital Replacement Reserve fund is established to fund the replacement or refurbishment of components based on life expectancy and value of the improvements within the district. Based on the

current fund balance, there are insufficient funds to cover the replacement expenses of the existing improvements.

The 1972 Act requires that a special fund be set up for the revenues and expenditures of the Districts. Funds raised by assessment shall be used only for the purpose as stated herein. A contribution to the Districts by the City may be made to reduce assessments, as the City Council deems appropriate. Any balance or deficit remaining on July 1 must be carried over to the next fiscal year.

PART C

METHOD OF APPORTIONMENT OF ASSESSMENT

GENERAL

Part 2 of Division 15 of the Streets and Highways Code, the Landscaping and Landscaping and Lighting Act of 1972, permits the establishment of assessment districts by cities for the purpose of providing certain public improvements which include construction, operation, maintenance and servicing of street lights, traffic signals and landscaping.

Section 22573 of the Landscaping and Landscaping and Lighting Act of 1972 (the 1972 Act) requires that maintenance assessments be levied according to benefit rather than according to assessed value. This section states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

The 1972 Act permits the designation of zones of benefit within any individual assessment district if "by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements." (Sec. 22574). Thus, the 1972 Act requires the levy of a true "assessment" based on the actual benefit rather than a "special tax."

ASSESSMENT METHODOLOGY

The North Hills Development project (Tract Nos. 9227, 9228 and 8857 in the City of Brea) was developed under conditions of development required by the City Council of the City of Brea.

The parcels of land in the District are single-family residential (SFR) lots, with each of these lots benefiting equally from the improvements being maintained. Therefore, the costs associated with the landscaping and lighting within and directly adjacent to the tract will be apportioned on a residential lot basis as follows:

$$\$5,495 / 297 \text{ SFR's} = \$18.50 / \text{SFR}$$

PART D ASSESSMENT ROLL

The amount of the total proposed assessment for fiscal year 2019-20 apportioned to each lot or parcel within the District, as shown on the latest assessment roll at the Orange County Assessor's Office, is contained in the Assessment Roll provided below.

The description of each lot or parcel is part of the Orange County assessment roll and this roll is, by reference, made part of this Report.

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|---------|------|----------|-----|-------|---------|------|----------|-----|-------|---------|
| 1 | 30424201 | 13 | 9227 | \$18.50 | 41 | 30425224 | 53 | 9227 | \$18.50 | 81 | 30424108 | 93 | 9227 | \$18.50 |
| 2 | 30424202 | 14 | 9227 | \$18.50 | 42 | 30425225 | 54 | 9227 | \$18.50 | 82 | 30424107 | 94 | 9227 | \$18.50 |
| 3 | 30424203 | 15 | 9227 | \$18.50 | 43 | 30425226 | 55 | 9227 | \$18.50 | 83 | 30424106 | 95 | 9227 | \$18.50 |
| 4 | 30424204 | 16 | 9227 | \$18.50 | 44 | 30425227 | 56 | 9227 | \$18.50 | 84 | 30424105 | 96 | 9227 | \$18.50 |
| 5 | 30424205 | 17 | 9227 | \$18.50 | 45 | 30425228 | 57 | 9227 | \$18.50 | 85 | 30424104 | 97 | 9227 | \$18.50 |
| 6 | 30424206 | 18 | 9227 | \$18.50 | 46 | 30425229 | 58 | 9227 | \$18.50 | 86 | 30424103 | 98 | 9227 | \$18.50 |
| 7 | 30424207 | 19 | 9227 | \$18.50 | 47 | 30425230 | 59 | 9227 | \$18.50 | 87 | 30424102 | 99 | 9227 | \$18.50 |
| 8 | 30424208 | 21 | 9227 | \$18.50 | 48 | 30425231 | 60 | 9227 | \$18.50 | 88 | 30424101 | 100 | 9227 | \$18.50 |
| 9 | 30424209 | 21 | 9227 | \$18.50 | 49 | 30425232 | 61 | 9227 | \$18.50 | 89 | 30425112 | 101 | 9227 | \$18.50 |
| 10 | 30424210 | 22 | 9227 | \$18.50 | 50 | 30425233 | 62 | 9227 | \$18.50 | 90 | 30425111 | 102 | 9227 | \$18.50 |
| 11 | 30424211 | 23 | 9227 | \$18.50 | 51 | 30425234 | 63 | 9227 | \$18.50 | 91 | 30425110 | 103 | 9227 | \$18.50 |
| 12 | 30424212 | 24 | 9227 | \$18.50 | 52 | 30425235 | 64 | 9227 | \$18.50 | 92 | 30425109 | 104 | 9227 | \$18.50 |
| 13 | 30424213 | 25 | 9227 | \$18.50 | 53 | 30425236 | 65 | 9227 | \$18.50 | 93 | 30425108 | 105 | 9227 | \$18.50 |
| 14 | 30424214 | 26 | 9227 | \$18.50 | 54 | 30425237 | 66 | 9227 | \$18.50 | 94 | 30425107 | 106 | 9227 | \$18.50 |
| 15 | 30424215 | 27 | 9227 | \$18.50 | 55 | 30425238 | 67 | 9227 | \$18.50 | 95 | 30425106 | 107 | 9227 | \$18.50 |
| 16 | 30424216 | 28 | 9227 | \$18.50 | 56 | 30425239 | 68 | 9227 | \$18.50 | 96 | 30425105 | 108 | 9227 | \$18.50 |
| 17 | 30424217 | 29 | 9227 | \$18.50 | 57 | 30425240 | 69 | 9227 | \$18.50 | 97 | 30425104 | 109 | 9227 | \$18.50 |
| 18 | 30424218 | 30 | 9227 | \$18.50 | 58 | 30425241 | 70 | 9227 | \$18.50 | 98 | 30425103 | 110 | 9227 | \$18.50 |
| 19 | 30424219 | 31 | 9227 | \$18.50 | 59 | 30425242 | 71 | 9227 | \$18.50 | 99 | 30425102 | 111 | 9227 | \$18.50 |
| 20 | 30424220 | 32 | 9227 | \$18.50 | 60 | 30425243 | 72 | 9227 | \$18.50 | 100 | 30425101 | 112 | 9227 | \$18.50 |
| 21 | 30424221 | 33 | 9227 | \$18.50 | 61 | 30425244 | 73 | 9227 | \$18.50 | 101 | 30425111 | 113 | 9227 | \$18.50 |
| 22 | 30424222 | 34 | 9227 | \$18.50 | 62 | 30425245 | 74 | 9227 | \$18.50 | 102 | 30425110 | 114 | 9227 | \$18.50 |
| 23 | 30424223 | 35 | 9227 | \$18.50 | 63 | 30425246 | 75 | 9227 | \$18.50 | 103 | 30425109 | 115 | 9227 | \$18.50 |
| 24 | 30424224 | 36 | 9227 | \$18.50 | 64 | 30425247 | 76 | 9227 | \$18.50 | 104 | 30425108 | 116 | 9227 | \$18.50 |
| 25 | 30424225 | 37 | 9227 | \$18.50 | 65 | 30425248 | 77 | 9227 | \$18.50 | 105 | 30425107 | 117 | 9227 | \$18.50 |
| 26 | 30424226 | 38 | 9227 | \$18.50 | 66 | 30425249 | 78 | 9227 | \$18.50 | 106 | 30425106 | 118 | 9227 | \$18.50 |
| 27 | 30424227 | 39 | 9227 | \$18.50 | 67 | 30424122 | 79 | 9227 | \$18.50 | 107 | 30425105 | 119 | 9227 | \$18.50 |
| 28 | 30424228 | 40 | 9227 | \$18.50 | 68 | 30424121 | 80 | 9227 | \$18.50 | 108 | 30425104 | 120 | 9227 | \$18.50 |
| 29 | 30424229 | 41 | 9227 | \$18.50 | 69 | 30424120 | 81 | 9227 | \$18.50 | 109 | 30425103 | 121 | 9227 | \$18.50 |
| 30 | 30425213 | 42 | 9227 | \$18.50 | 70 | 30424119 | 82 | 9227 | \$18.50 | 110 | 30425102 | 122 | 9227 | \$18.50 |
| 31 | 30425214 | 43 | 9227 | \$18.50 | 71 | 30424118 | 83 | 9227 | \$18.50 | 111 | 30425101 | 123 | 9227 | \$18.50 |
| 32 | 30425215 | 44 | 9227 | \$18.50 | 72 | 30424117 | 84 | 9227 | \$18.50 | 112 | 30423501 | 1 | 9228 | \$18.50 |
| 33 | 30425216 | 45 | 9227 | \$18.50 | 73 | 30424116 | 85 | 9227 | \$18.50 | 113 | 30423502 | 2 | 9228 | \$18.50 |
| 34 | 30425217 | 46 | 9227 | \$18.50 | 74 | 30424115 | 86 | 9221 | \$18.50 | 114 | 30423503 | 3 | 9228 | \$18.50 |
| 35 | 30425218 | 47 | 9227 | \$18.50 | 75 | 30424114 | 87 | 9227 | \$18.50 | 115 | 30426221 | 4 | 9228 | \$18.50 |
| 36 | 30425219 | 48 | 9227 | \$18.50 | 76 | 30424113 | 88 | 9227 | \$18.50 | 116 | 30426222 | 5 | 9228 | \$18.50 |
| 37 | 30425220 | 49 | 9227 | \$18.50 | 77 | 30424112 | 89 | 9227 | \$18.50 | 117 | 30426223 | 6 | 9228 | \$18.50 |
| 38 | 30425221 | 50 | 9227 | \$18.50 | 78 | 30424111 | 90 | 9227 | \$18.50 | 118 | 30426224 | 7 | 9228 | \$18.50 |
| 39 | 30425222 | 51 | 9227 | \$18.50 | 79 | 30424110 | 91 | 9227 | \$18.50 | 119 | 30426225 | 8 | 9228 | \$18.50 |
| 40 | 30425223 | 52 | 9227 | \$18.50 | 80 | 30424109 | 92 | 9227 | \$18.50 | 120 | 30426226 | 9 | 9228 | \$18.50 |

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|---------|------|----------|-----|-------|---------|------|----------|-----|-------|---------|
| 121 | 30423411 | 10 | 9228 | \$18.50 | 180 | 30426105 | 69 | 9228 | \$18.50 | 239 | 30427210 | 80 | 8857 | \$18.50 |
| 122 | 30423410 | 11 | 9228 | \$18.50 | 181 | 30426104 | 70 | 9228 | \$18.50 | 240 | 30427211 | 81 | 8857 | \$18.50 |
| 123 | 30423409 | 12 | 9228 | \$18.50 | 182 | 30426103 | 71 | 9228 | \$18.50 | 241 | 30427212 | 82 | 8857 | \$18.50 |
| 124 | 30423408 | 13 | 9228 | \$18.50 | 183 | 30426102 | 72 | 9228 | \$18.50 | 242 | 30427213 | 83 | 8857 | \$18.50 |
| 125 | 30423407 | 14 | 9228 | \$18.50 | 184 | 30426101 | 73 | 9228 | \$18.50 | 243 | 30427229 | 55 | 8857 | \$18.50 |
| 126 | 30423406 | 15 | 9228 | \$18.50 | 185 | 30423307 | 74 | 9228 | \$18.50 | 244 | 30427228 | 56 | 8857 | \$18.50 |
| 127 | 30423405 | 16 | 9228 | \$18.50 | 186 | 30423308 | 75 | 9228 | \$18.50 | 245 | 30427227 | 57 | 8857 | \$18.50 |
| 128 | 30423404 | 17 | 9228 | \$18.50 | 187 | 30423309 | 76 | 9228 | \$18.50 | 246 | 30427226 | 58 | 8857 | \$18.50 |
| 129 | 30423403 | 18 | 9228 | \$18.50 | 188 | 30423301 | 77 | 9228 | \$18.50 | 247 | 30427225 | 59 | 8857 | \$18.50 |
| 130 | 30423402 | 19 | 9228 | \$18.50 | 189 | 30423302 | 78 | 9228 | \$18.50 | 248 | 30427224 | 60 | 8857 | \$18.50 |
| 131 | 30423401 | 20 | 9228 | \$18.50 | 190 | 30423303 | 79 | 9228 | \$18.50 | 249 | 30427223 | 61 | 8857 | \$18.50 |
| 132 | 30426201 | 21 | 9228 | \$18.50 | 191 | 30423304 | 80 | 9228 | \$18.50 | 250 | 30427222 | 62 | 8857 | \$18.50 |
| 133 | 30426202 | 22 | 9228 | \$18.50 | 192 | 30423201 | 81 | 9228 | \$18.50 | 251 | 30427221 | 63 | 8857 | \$18.50 |
| 134 | 30426203 | 23 | 9228 | \$18.50 | 193 | 30423202 | 82 | 9228 | \$18.50 | 252 | 30427220 | 64 | 8857 | \$18.50 |
| 135 | 30426204 | 24 | 9228 | \$18.50 | 194 | 30423115 | 83 | 9228 | \$18.50 | 253 | 30427219 | 65 | 8857 | \$18.50 |
| 136 | 30426205 | 25 | 9228 | \$18.50 | 195 | 30423116 | 84 | 9228 | \$18.50 | 254 | 30427218 | 66 | 8857 | \$18.50 |
| 137 | 30426206 | 26 | 9228 | \$18.50 | 196 | 30423117 | 85 | 9228 | \$18.50 | 255 | 30427217 | 67 | 8857 | \$18.50 |
| 138 | 30426207 | 27 | 9228 | \$18.50 | 197 | 30423118 | 86 | 9228 | \$18.50 | 256 | 30427216 | 68 | 8857 | \$18.50 |
| 139 | 30426208 | 28 | 9228 | \$18.50 | 198 | 30423119 | 87 | 9228 | \$18.50 | 257 | 30427215 | 69 | 8857 | \$18.50 |
| 140 | 30426209 | 29 | 9228 | \$18.50 | 199 | 30423120 | 88 | 9228 | \$18.50 | 258 | 30427214 | 70 | 8857 | \$18.50 |
| 141 | 30426210 | 30 | 9228 | \$18.50 | 200 | 30423121 | 89 | 9228 | \$18.50 | 259 | 30427201 | 71 | 8857 | \$18.50 |
| 142 | 30426211 | 31 | 9228 | \$18.50 | 201 | 30423122 | 90 | 9228 | \$18.50 | 260 | 30427202 | 72 | 8857 | \$18.50 |
| 143 | 30426212 | 32 | 9228 | \$18.50 | 202 | 30423123 | 91 | 9228 | \$18.50 | 261 | 30427203 | 73 | 8857 | \$18.50 |
| 144 | 30426213 | 33 | 9228 | \$18.50 | 203 | 30423101 | 12 | 9227 | \$18.50 | 262 | 30427204 | 74 | 8857 | \$18.50 |
| 145 | 30426214 | 34 | 9228 | \$18.50 | 204 | 30423102 | 11 | 9227 | \$18.50 | 263 | 30427205 | 75 | 8857 | \$18.50 |
| 146 | 30426215 | 35 | 9228 | \$18.50 | 205 | 30423103 | 10 | 9227 | \$18.50 | 264 | 30427206 | 76 | 8857 | \$18.50 |
| 147 | 30426216 | 36 | 9228 | \$18.50 | 206 | 30423104 | 9 | 9227 | \$18.50 | 265 | 30427207 | 77 | 8857 | \$18.50 |
| 148 | 30426217 | 37 | 9228 | \$18.50 | 207 | 30423105 | 8 | 9227 | \$18.50 | 266 | 30427320 | 23 | 8857 | \$18.50 |
| 149 | 30426218 | 38 | 9228 | \$18.50 | 208 | 30423106 | 7 | 9227 | \$18.50 | 267 | 30427319 | 24 | 8857 | \$18.50 |
| 150 | 30426219 | 39 | 9228 | \$18.50 | 209 | 30423107 | 6 | 9227 | \$18.50 | 268 | 30427318 | 25 | 8857 | \$18.50 |
| 151 | 30426220 | 40 | 9228 | \$18.50 | 210 | 30423108 | 5 | 9227 | \$18.50 | 269 | 30427317 | 26 | 8857 | \$18.50 |
| 152 | 30426133 | 41 | 9228 | \$18.50 | 211 | 30423109 | 4 | 9227 | \$18.50 | 270 | 30427316 | 27 | 8857 | \$18.50 |
| 153 | 30426132 | 42 | 9228 | \$18.50 | 212 | 30423110 | 3 | 9227 | \$18.50 | 271 | 30427315 | 28 | 8857 | \$18.50 |
| 154 | 30426131 | 43 | 9228 | \$18.50 | 213 | 30423111 | 2 | 9227 | \$18.50 | 272 | 30427314 | 29 | 8857 | \$18.50 |
| 155 | 30426130 | 44 | 9228 | \$18.50 | 214 | 30423112 | 1 | 9227 | \$18.50 | 273 | 30427313 | 30 | 8857 | \$18.50 |
| 156 | 30426129 | 45 | 9228 | \$18.50 | 215 | 30423124 | 1 | 8857 | \$18.50 | 274 | 30427312 | 31 | 8857 | \$18.50 |
| 157 | 30426128 | 46 | 9228 | \$18.50 | 216 | 30423125 | 2 | 8857 | \$18.50 | 275 | 30427311 | 32 | 8857 | \$18.50 |
| 158 | 30426127 | 47 | 9228 | \$18.50 | 217 | 30427339 | 3 | 8857 | \$18.50 | 276 | 30427310 | 33 | 8857 | \$18.50 |
| 159 | 30426126 | 48 | 9228 | \$18.50 | 218 | 30427338 | 4 | 8857 | \$18.50 | 277 | 30427309 | 34 | 8857 | \$18.50 |
| 160 | 30426125 | 49 | 9228 | \$18.50 | 219 | 30427337 | 5 | 8857 | \$18.50 | 278 | 30427308 | 35 | 8857 | \$18.50 |
| 161 | 30426124 | 50 | 9228 | \$18.50 | 220 | 30427336 | 6 | 8857 | \$18.50 | 279 | 30427307 | 36 | 8857 | \$18.50 |
| 162 | 30426123 | 51 | 9228 | \$18.50 | 221 | 30427335 | 7 | 8857 | \$18.50 | 280 | 30427306 | 37 | 8857 | \$18.50 |
| 163 | 30426122 | 52 | 9228 | \$18.50 | 222 | 30427334 | 8 | 8857 | \$18.50 | 281 | 30427305 | 38 | 8857 | \$18.50 |
| 164 | 30426121 | 53 | 9228 | \$18.50 | 223 | 30427333 | 9 | 8857 | \$18.50 | 282 | 30427304 | 39 | 8857 | \$18.50 |
| 165 | 30426120 | 54 | 9228 | \$18.50 | 224 | 30427332 | 10 | 8857 | \$18.50 | 283 | 30427303 | 40 | 8857 | \$18.50 |
| 166 | 30426119 | 55 | 9228 | \$18.50 | 225 | 30427331 | 11 | 8857 | \$18.50 | 284 | 30427302 | 41 | 8857 | \$18.50 |
| 167 | 30426118 | 56 | 9228 | \$18.50 | 226 | 30427330 | 12 | 8857 | \$18.50 | 285 | 30427301 | 42 | 8857 | \$18.50 |
| 168 | 30426117 | 57 | 9228 | \$18.50 | 227 | 30427329 | 13 | 8857 | \$18.50 | 286 | 30427101 | 43 | 8857 | \$18.50 |
| 169 | 30426116 | 58 | 9228 | \$18.50 | 228 | 30427328 | 14 | 8857 | \$18.50 | 287 | 30427102 | 44 | 8857 | \$18.50 |
| 170 | 30426115 | 59 | 9228 | \$18.50 | 229 | 30423203 | 15 | 8857 | \$18.50 | 288 | 30427103 | 45 | 8857 | \$18.50 |
| 171 | 30426114 | 60 | 9228 | \$18.50 | 230 | 30427327 | 16 | 8857 | \$18.50 | 289 | 30427104 | 46 | 8857 | \$18.50 |
| 172 | 30426113 | 61 | 9228 | \$18.50 | 231 | 30427326 | 17 | 8857 | \$18.50 | 290 | 30427105 | 47 | 8857 | \$18.50 |
| 173 | 30426112 | 62 | 9228 | \$18.50 | 232 | 30427325 | 18 | 8857 | \$18.50 | 291 | 30427106 | 48 | 8857 | \$18.50 |
| 174 | 30426111 | 63 | 9228 | \$18.50 | 233 | 30427324 | 19 | 8857 | \$18.50 | 292 | 30427107 | 49 | 8857 | \$18.50 |
| 175 | 30426110 | 64 | 9228 | \$18.50 | 234 | 30427323 | 20 | 8857 | \$18.50 | 293 | 30427108 | 50 | 8857 | \$18.50 |
| 176 | 30426109 | 65 | 9228 | \$18.50 | 235 | 30427322 | 21 | 8857 | \$18.50 | 294 | 30427109 | 51 | 8857 | \$18.50 |
| 177 | 30426108 | 66 | 9228 | \$18.50 | 236 | 30427321 | 22 | 8857 | \$18.50 | 295 | 30427110 | 52 | 8857 | \$18.50 |
| 178 | 30426107 | 67 | 9228 | \$18.50 | 237 | 30427208 | 78 | 8857 | \$18.50 | 296 | 30427111 | 53 | 8857 | \$18.50 |
| 179 | 30426106 | 68 | 9228 | \$18.50 | 238 | 30427209 | 79 | 8857 | \$18.50 | 297 | 30427112 | 54 | 8857 | \$18.50 |

PART E

ASSESSMENT DISTRICTS' BOUNDARIES

A diagram of the boundaries of Lighting Maintenance District No. 2 is included herein.

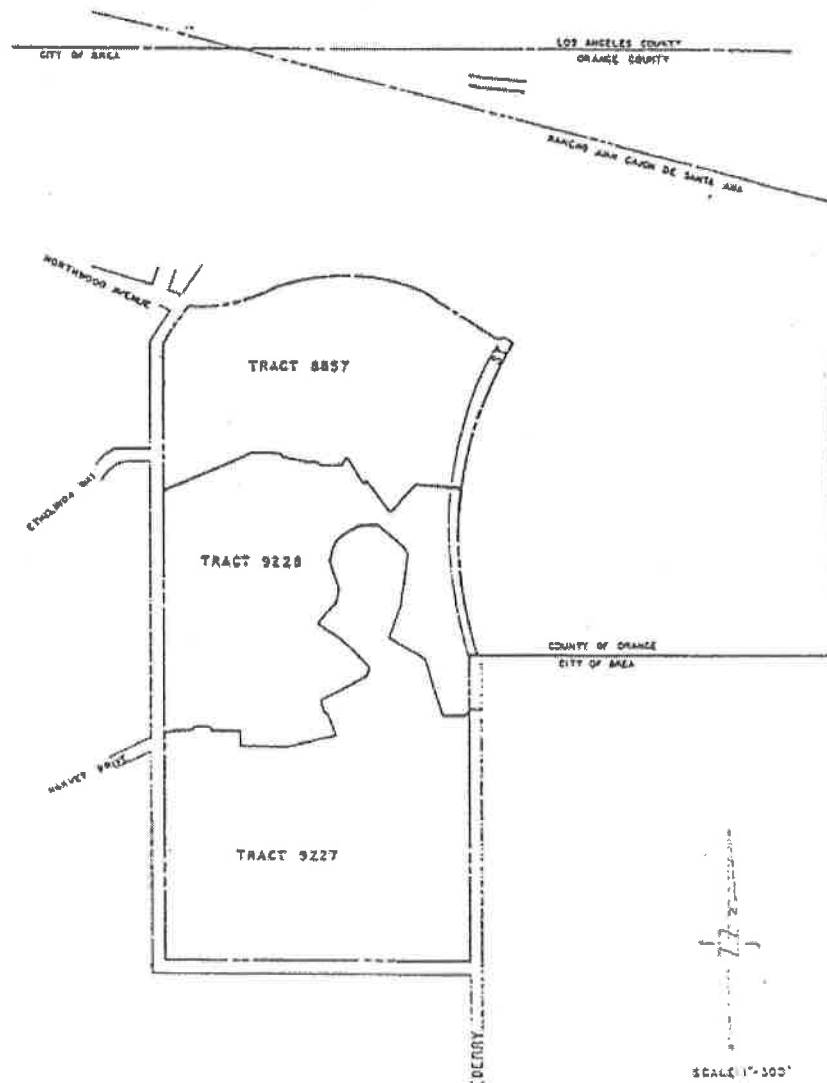
District No. 2 is generally located west of Berry Street, north of Central Avenue, and south of Northwood Avenue.

The boundaries of District No. 2 are described as "being the boundary of Annexation No. 8-74 to the City of Brea, County of Orange, State of California."

Also, the lines and dimensions of each lot or parcel within the Districts are those lines and dimensions shown on the maps of the Assessor of the County of Orange for fiscal year 2019-20. The Assessor's maps and records are incorporated by reference herein and made part of this report.

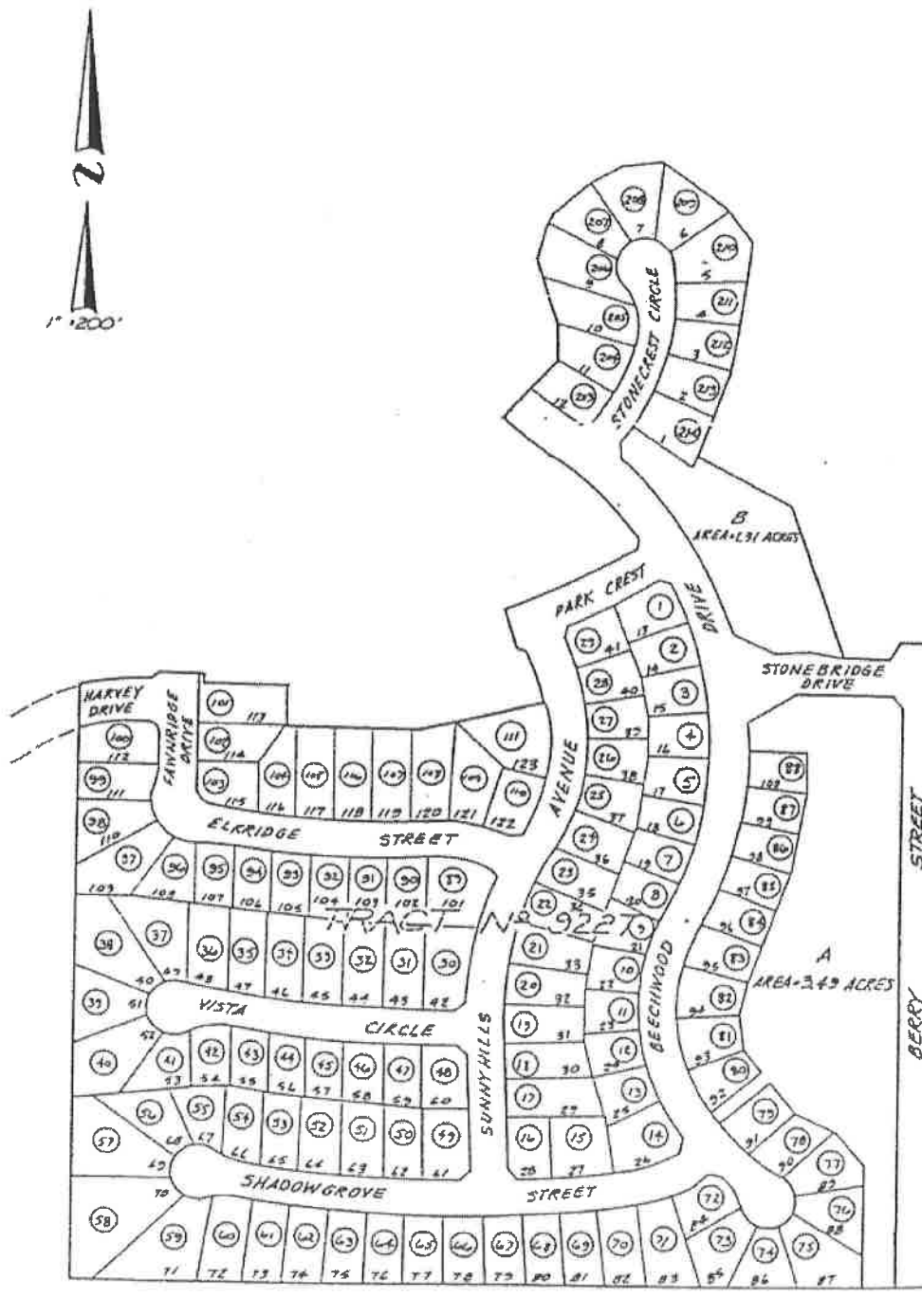
LEGEND

- STREET LIGHTING DISTRICT BOUNDARY
- COUNTY BOUNDARY
- RANCHO BOUNDARY



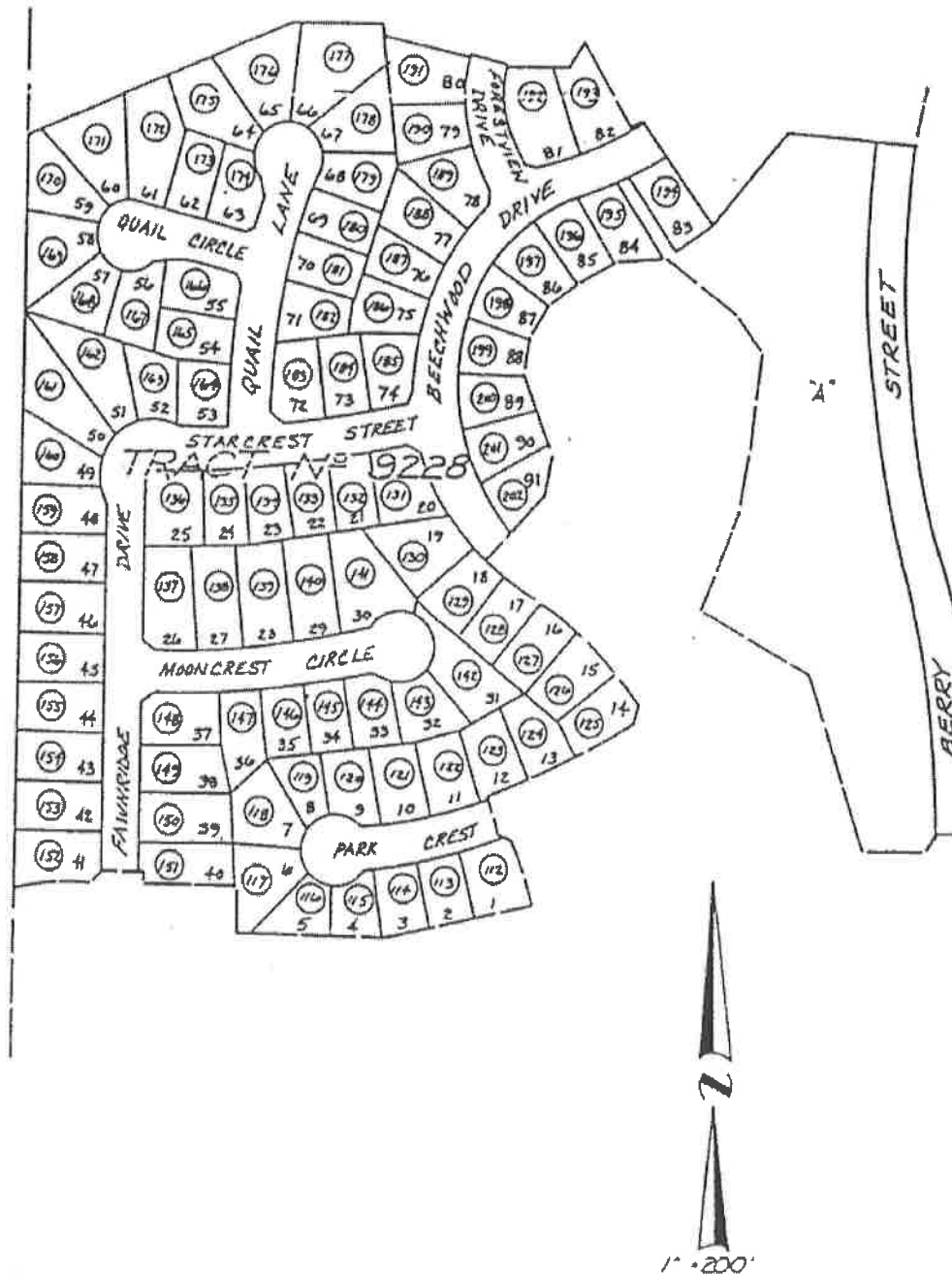
ASSESSMENT DIAGRAM BOUNDRIES
STREET LIGHTING DISTRICT NO.2
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

SHEET 1 OF



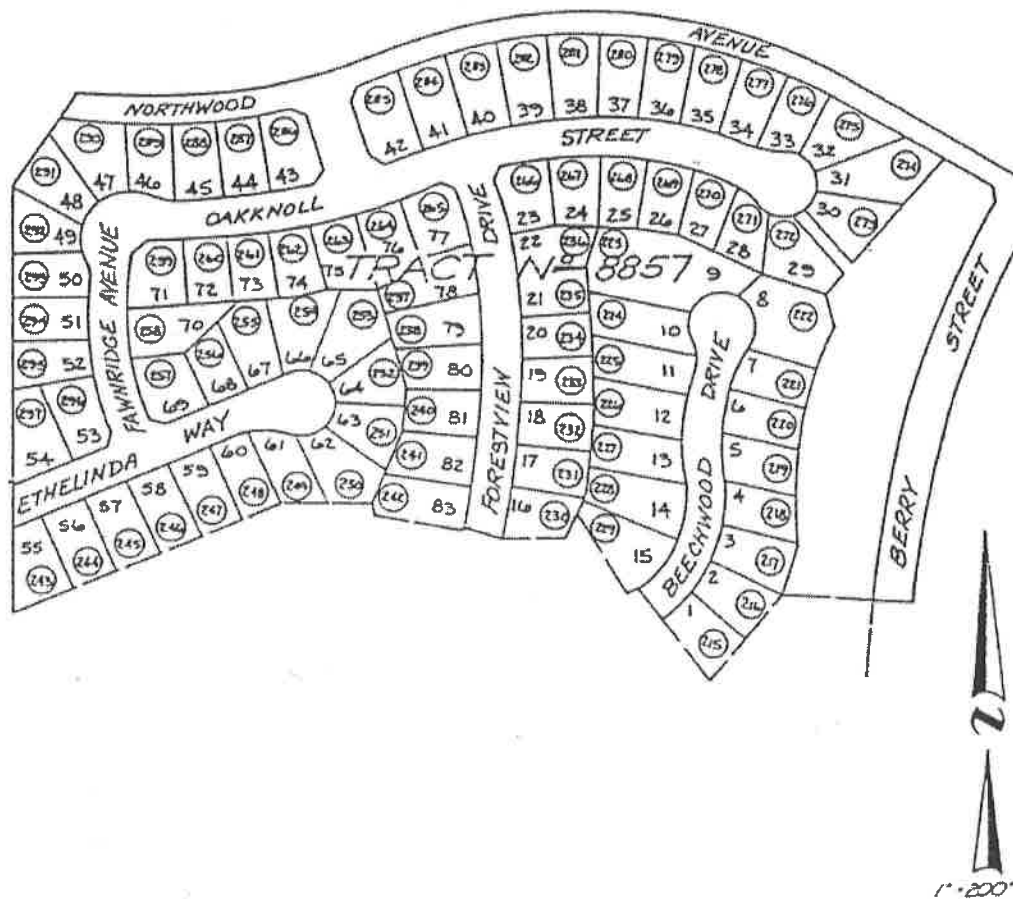
ASSESSMENT DIAGRAM
TO
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT N^o 2

SHEET 2 OF



**ASSESSMENT DIAGRAM
TO
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT Nº 2**

SHEET 3C



**ASSESSMENT DIAGRAM
TO
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT Nº 2**

SHEET 40

**Landscape and Lighting
Maintenance District
No. 3
City of Brea**

**Prepared under the authority of the
Landscape and Lighting Act of 1972
Streets and Highways Code
State of California**

Fiscal Year 2019-20

Submitted by:

**Tony Olmos
Director of Public Works**

April 16, 2019

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City of Brea

April 16, 2019

Honorable Mayor and City Council
City of Brea
1 Civic Center Circle
Brea, CA 92821-5732

Re: Engineer's Report, Landscape & Lighting Maintenance District No. 3

Transmitted herewith for your review and consideration is a report entitled, "Landscape and Lighting Maintenance District No. 3, City of Brea."

This report has been prepared in accordance with the Landscape and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code. The report includes all the requirements of the Landscape and Lighting Act of 1972 and the Streets and Highways Code, with particular reference to annual assessments after formation thereof of the District.

The report is submitted herewith for consideration at your next meeting to set a hearing date for the purpose of levying an annual assessment (Streets and Highways Code, Section 22620 to Section 22631).

Respectfully submitted,

Tony Olmos, Director
Public Works Department

s:\maintenance\maint districts\assessment 19-20\lmd3 1920.doc
City Council **Christine Marick**
Mayor

Marty Simonoff
Mayor Pro Tem

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

Introduction and Background

Introduction:

This report has been prepared and is submitted for consideration by the City Council of the City of Brea under the authority of the Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code, Article XIID of the California Constitution, and the Proposition 218 Omnibus Implementation Act.

Background:

The City Council of the City of Brea adopted Resolution No. 78-77 on July 5, 1978 creating Lighting and Maintenance District No. 3. This Lighting and Maintenance District was a condition of development for Tract No. 8242 in the City of Brea.

Tract No. 8242 was planned and has been developed adjacent to a 40-foot MWD easement for the MWD Lower Feeder, which diagonally traverses the property limits of Tract No. 8242.

This MWD easement was graded (within the limits of MWD specifications) and landscaped (under conditions of development) to act as a greenbelt trail area for the residents of the tract.

In addition to the MWD easement greenbelt, another landscaping greenbelt area was completed in a 20-foot easement adjacent to Birch Street.

In order to assure the maintenance of the greenbelts and the payment of fees for maintaining the greenbelt and the cost of energy for theme lighting, a condition of development was the requirement that a Lighting and Maintenance District be formed over the entire limits of Tract No. 8242.

In FY 2003-04, the property owners submitted ballots and approved an increase in assessment rate. Included in that balloting was an annual CPI escalator which allows the assessment rate to keep up with the cost of living. The annual escalator sets the maximum rate that the properties might be assessed.

The purpose of this report is to be utilized by the City Staff, the City Council, and the County Assessor in the levy and collection of an annual assessment after formation of an assessment district under the requirements of the Landscaping and Lighting Act of 1972 (State of California and Highways Code, Section 22620 to 22631).

PART A

PLANS AND SPECIFICATIONS

The facilities, which consist of greenbelt areas and theme lighting, will be operated, serviced and maintained as generally described as follows:

Landscaping and Appurtenant Facilities

Facilities include but are not limited to: landscaping, planting, shrubbery, trees, irrigation systems, hardscapes, fixtures, sidewalk maintenance resulting from landscape growth and appurtenant facilities, in public street and sidewalk rights-of-way, including medians, parkways and dedicated easements within the boundaries of the Assessment District.

Lighting, Traffic Signals and Appurtenant Facilities

Facilities include but are not limited to: Poles, fixtures, bulbs, conduits, conductors, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide lighting and traffic signals in public street and sidewalk rights-of-way and dedicated easements within the boundaries of the Assessment District.

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the landscaping, public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the landscaping, public lighting facilities or appurtenant facilities; providing for the life, growth, health and beauty of the landscaping, including cultivation, irrigation, trimming, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris and other solid waste; and the cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

Servicing means the furnishing of water for the irrigation of the landscaping and the maintenance of any of the public lighting facilities or appurtenant facilities and the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or operation of the landscaping or appurtenant facilities.

The plans and specifications for the improvements, showing and describing the general nature, location, and the extent of the improvements, are on file in the office of the Director of Public Works and are incorporated herein by reference.

PART B ESTIMATE OF COST

The estimated cost of the operation, servicing and maintenance of the landscape and lighting improvements for Fiscal Year 2019-20, as described in Part A, are summarized herein and described below.

MAINTENANCE DISTRICT # 3 - ANNUAL COST FACTORS

| Acct # | Description | FY 19-20 Est. |
|-------------------------|--|------------------|
| 1. Fixed Costs | | Expenses |
| 4111 | Salaries & Benefits | \$10,944 |
| 4113 | Overtime | \$100 |
| 4243 | Engineering | \$0 |
| 4244 | Legal | \$0 |
| 4412 | Property Tax Collection | \$100 |
| | Fixed Costs Totals | \$11,144 |
| 2. ROUTINE COSTS | | |
| 4211 | Postage | \$170 |
| 4249 | Professional Svs/Other | \$75,000 |
| 4261 | Svc & Repair Equipment | \$1,500 |
| 4266 | Contract Services/Grounds Maintenance | \$24,520 |
| 4282 | Electric | \$1,500 |
| 4285 | Water | \$20,500 |
| 4337 | Electrical Supplies & Parts | \$250 |
| 4339 | Construction & Maintenance | \$1,300 |
| 4379 | Nursery Supplies-Other | \$250 |
| 4441 | Miscellaneous Expense | \$100 |
| 5800 | Insurance and Other Expenses | \$1,091 |
| | Routine Costs Totals | \$126,181 |
| | Total Costs (Fixed & Routine) | \$137,325 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | FY 2019-20 Annual Assessments | \$88,869 |
| | Reserve Fund Requirement: | |
| | Operating Reserve – 50% (6 months)* | \$0 |
| | Capital Replacement Reserve** | |
| | Estimated Balance 1-July-2019 | \$72,595 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | Less planned capital expenditures | \$0 |
| | Estimated Fund Balance 30-Jun-2020 | \$24,139 |

*The Operating Reserve fund is being established for the District to cover the first six months of expenses annually before collection from the County has been received, as well as unexpected expenses. The funds will not exceed 50% of the anticipated annual expenditures, in anticipation of any maintenance costs that can and do occur during the year.

**The Capital Replacement Reserve fund is established to fund the replacement or refurbishment of components based on life expectancy and value of the improvements within the district. Based on the current fund balance, there are insufficient funds to cover the replacement expenses of the existing improvements.

The 1972 Act requires that a special fund be set up for the revenues and expenditures of the Districts. Funds raised by assessment shall be used only for the purpose as stated herein. A contribution to the Districts by the City may be made to reduce assessments, as the City Council deems appropriate. Any balance or deficit remaining on July 1 must be carried over to the next fiscal year.

PART C METHOD OF APPORTIONMENT OF ASSESSMENT

GENERAL

Part 2 of Division 15 of the Streets and Highways Code, the Landscaping and Lighting Act of 1972, permits the establishment of assessment districts by cities for the purpose of providing certain public improvements which include construction, operation, maintenance and servicing of street lights, traffic signals and landscaping.

Section 22573 of the Landscaping and Lighting Act of 1972 (the 1972 Act) requires that maintenance assessments be levied according to benefit rather than according to assessed value. This section states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

The 1972 Act permits the designation of zones of benefit within any individual assessment district if "by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements." (Sec. 22574). Thus, the 1972 Act requires the levy of a true "assessment" based on the actual benefit rather than a "special tax."

In addition, Proposition 218, the "Right to Vote on Taxes Act" which was approved on the November 1996 Statewide ballot and added Article XIID to the California Constitution, requires that a parcel's assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. XIID provides that only special benefits are assessable and the City must separate the general benefits from the special benefits. XIID also requires that publicly owned property which benefit from the improvements be assessed.

SPECIAL BENEFIT ANALYSIS

Street Landscaping, Slopes and Greenbelts. Trees, landscaping, hardscaping and appurtenant facilities, if well maintained, provide beautification, shade and enhancement of the desirability of the surroundings, and therefore increase property value.

In Parkways and Land Values, written by John Nolan and Henry V. Hubbard in 1937, it is stated:

"... there is no lack of opinion, based on general principals and experience and common sense, that parkways *do in fact add value* to property, even though the amount cannot be determined exactly.... Indeed, in most cases where public money has been spent for parkways the assumption has been definitely made that the proposed parkway will show a *provable* financial profit to the City. It has been believed that the establishment of parkways causes a rise in real estate values throughout the City, or in parts of the City,..."

It should be noted that the definition of "parkways" above may include the roadway as well as the landscaping along side the roadway.

The ongoing operation and maintenance of the street landscaping, slopes and greenways within the district, as identified in Part A of this Report, provide beautification to the areas that result in a special benefit to the parcels within the tracts adjacent to the improvements. If these landscaped areas were not properly maintained, the tract would be blighted.

Theme Lighting. Proper maintenance and operation of pedestrian and street lights benefit all properties within the District by providing security, safety and community character and vitality as outlined below. Streetlights provide only incidental benefits to motorists traveling to, from or through the area.

BENEFITS OF STREET LIGHTING

Security and Safety

- Mitigates crime
- Alleviates the fear of crime
- Enhances safe ingress/egress to property

Community Character and Vitality

- Promotes social interaction
 - Contributes to a positive nighttime visual image
-

ASSESSMENT METHODOLOGY

The parcels of land in the District are single family residential (SFR) lots, with each of these lots benefiting equally from the improvements being maintained. Therefore, the costs associated with the landscaping and lighting within and directly adjacent to the tract will be apportioned on a residential lot basis as follows:

$$\$88,869 / 188 \text{ SFR's} = \$472.71 / \text{SFR}$$

This assessment rate is the maximum rate. This maximum assessment rate will be increased each year by the annual change in the Consumer Price Index (CPI), All Urban Consumers, for the Los Angeles, Riverside and Orange County areas. The actual assessments levied in any fiscal year will be as approved by the City Council and may not exceed the maximum assessment rate without receiving property owner approval for the increase. The calculation for the maximum assessment rate is provided in the table below. The increase in CPI for FY 2019-20 is 3.2%.

| Maximum Assessment Rate Calculation | | |
|-------------------------------------|--------------|--------------------|
| Fiscal Year | CPI Increase | Maximum Assessment |
| FY 2003-04 | | \$336.27 / SFR |
| FY 2004-05 | 1.8% | \$342.32 / SFR |
| FY 2005-06 | 4.4% | \$357.39 / SFR |
| FY 2006-07 | 4.5% | \$373.47 / SFR |
| FY 2007-08 | 4.3% | \$389.53 / SFR |
| FY 2008-09 | 3.3% | \$402.38 / SFR |
| FY 2009-10 | 3.5% | \$416.47 / SFR |
| FY 2010-11 | 0% | \$416.47 / SFR |
| FY 2011-12 | 1.2% | \$421.47 / SFR |
| FY 2012-13 | 2.7% | \$432.85 / SFR |
| FY 2013-14 | 2% | \$441.51 / SFR |
| FY 2014-15 | 1.1% | \$446.37 / SFR |
| FY 2015-16 | .7% | \$449.49 / SFR |
| FY 2016-17 | 2% | \$458.48 / SFR |
| FY 2017-18 | 1.9% | \$467.19 / SFR |
| FY 2018-19 | 2.8% | \$480.27 / SFR |
| FY2019-20 | 3.2% | \$495.64 / SFR |

PART D ASSESSMENT ROLL

The amount of the total proposed assessment for Fiscal Year 2019-20 apportioned to each lot or parcel within the District, as shown on the latest assessment roll at the Orange County Assessor's Office, is contained in the Assessment Roll provided below.

The description of each lot or parcel is part of the Orange County assessment roll and this roll is, by reference, made part of this Report.

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|----------|------|----------|-----|-------|----------|
| 1 | 32026208 | 1 | 8242 | \$402.38 | 39 | 32024107 | 39 | 8242 | \$402.38 |
| 2 | 32026209 | 2 | 8242 | \$402.38 | 40 | 32024108 | 40 | 8242 | \$402.38 |
| 3 | 32026210 | 3 | 8242 | \$402.38 | 41 | 32024109 | 41 | 8242 | \$402.38 |
| 4 | 32026211 | 4 | 8242 | \$402.38 | 42 | 32024110 | 42 | 8242 | \$402.38 |
| 5 | 32026212 | 5 | 8242 | \$402.38 | 43 | 32024111 | 43 | 8242 | \$402.38 |
| 6 | 32026213 | 6 | 8242 | \$402.38 | 44 | 32024112 | 44 | 8242 | \$402.38 |
| 7 | 32026214 | 7 | 8242 | \$402.38 | 45 | 32024113 | 45 | 8242 | \$402.38 |
| 8 | 32026215 | 8 | 8242 | \$402.38 | 46 | 32024114 | 46 | 8242 | \$402.38 |
| 9 | 32025401 | 9 | 8242 | \$402.38 | 47 | 32024125 | 47 | 8242 | \$402.38 |
| 10 | 32025402 | 10 | 8242 | \$402.38 | 48 | 32024126 | 48 | 8242 | \$402.38 |
| 11 | 32025403 | 11 | 8242 | \$402.38 | 49 | 32024127 | 49 | 8242 | \$402.38 |
| 12 | 32025404 | 12 | 8242 | \$402.38 | 50 | 32024128 | 50 | 8242 | \$402.38 |
| 13 | 32025405 | 13 | 8242 | \$402.38 | 51 | 32024123 | 51 | 8242 | \$402.38 |
| 14 | 32025406 | 14 | 8242 | \$402.38 | 52 | 32024124 | 52 | 8242 | \$402.38 |
| 15 | 32025311 | 15 | 8242 | \$402.38 | 53 | 32024210 | 53 | 8242 | \$402.38 |
| 16 | 32025309 | 16 | 8242 | \$402.38 | 54 | 32024209 | 54 | 8242 | \$402.38 |
| 17 | 32025308 | 17 | 8242 | \$402.38 | 55 | 32024208 | 55 | 8242 | \$402.38 |
| 18 | 32025307 | 18 | 8242 | \$402.38 | 56 | 32024207 | 56 | 8242 | \$402.38 |
| 19 | 32025306 | 19 | 8242 | \$402.38 | 57 | 32024206 | 57 | 8242 | \$402.38 |
| 20 | 32025305 | 20 | 8242 | \$402.38 | 58 | 32024205 | 58 | 8242 | \$402.38 |
| 21 | 32025304 | 21 | 8242 | \$402.38 | 59 | 32024204 | 59 | 8242 | \$402.38 |
| 22 | 32025303 | 22 | 8242 | \$402.38 | 60 | 32024203 | 60 | 8242 | \$402.38 |
| 23 | 32025302 | 23 | 8242 | \$402.38 | 61 | 32024202 | 61 | 8242 | \$402.38 |
| 24 | 32025301 | 24 | 8242 | \$402.38 | 62 | 32024201 | 62 | 8242 | \$402.38 |
| 25 | 32025207 | 25 | 8242 | \$402.38 | 63 | 32024226 | 63 | 8242 | \$402.38 |
| 26 | 32025208 | 26 | 8242 | \$402.38 | 64 | 32024225 | 64 | 8242 | \$402.38 |
| 27 | 32025209 | 27 | 8242 | \$402.38 | 65 | 32024224 | 65 | 8242 | \$402.38 |
| 28 | 32025210 | 28 | 8242 | \$402.38 | 66 | 32024223 | 66 | 8242 | \$402.38 |
| 29 | 32025201 | 29 | 8242 | \$402.38 | 67 | 32024222 | 67 | 8242 | \$402.38 |
| 30 | 32025202 | 30 | 8242 | \$402.38 | 68 | 32024221 | 68 | 8242 | \$402.38 |
| 31 | 32025203 | 31 | 8242 | \$402.38 | 69 | 32024220 | 69 | 8242 | \$402.38 |
| 32 | 32025204 | 32 | 8242 | \$402.38 | 70 | 32024219 | 70 | 8242 | \$402.38 |
| 33 | 32024101 | 33 | 8242 | \$402.38 | 71 | 32024218 | 71 | 8242 | \$402.38 |
| 34 | 32024102 | 34 | 8242 | \$402.38 | 72 | 32024217 | 72 | 8242 | \$402.38 |
| 35 | 32024103 | 35 | 8242 | \$402.38 | 73 | 32024216 | 73 | 8242 | \$402.38 |
| 36 | 32024104 | 36 | 8242 | \$402.38 | 74 | 32024215 | 74 | 8242 | \$402.38 |
| 37 | 32024105 | 37 | 8242 | \$402.38 | 75 | 32024214 | 75 | 8242 | \$402.38 |
| 38 | 32024106 | 38 | 8242 | \$402.38 | 76 | 32024213 | 76 | 8242 | \$402.38 |

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|----------|------|----------|-----|-------|----------|
| 77 | 32024212 | 77 | 8242 | \$402.38 | 126 | 32026244 | 126 | 8242 | \$402.38 |
| 78 | 32024211 | 78 | 8242 | \$402.38 | 127 | 32026245 | 127 | 8242 | \$402.38 |
| 79 | 32025138 | 79 | 8242 | \$402.38 | 128 | 32026246 | 128 | 8242 | \$402.38 |
| 80 | 32025137 | 80 | 8242 | \$402.38 | 130 | 32026248 | 130 | 8242 | \$402.38 |
| 81 | 32025136 | 81 | 8242 | \$402.38 | 131 | 32026249 | 131 | 8242 | \$402.38 |
| 82 | 32025135 | 82 | 8242 | \$402.38 | 132 | 32024305 | 132 | 8242 | \$402.38 |
| 83 | 32025134 | 83 | 8242 | \$402.38 | 133 | 32024306 | 133 | 8242 | \$402.38 |
| 84 | 32025133 | 84 | 8242 | \$402.38 | 134 | 32024307 | 134 | 8242 | \$402.38 |
| 85 | 32025132 | 85 | 8242 | \$402.38 | 135 | 32024308 | 135 | 8242 | \$402.38 |
| 86 | 32025131 | 86 | 8242 | \$402.38 | 136 | 32024309 | 136 | 8242 | \$402.38 |
| 87 | 32025130 | 87 | 8242 | \$402.38 | 137 | 32024310 | 137 | 8242 | \$402.38 |
| 88 | 32025129 | 88 | 8242 | \$402.38 | 138 | 32024401 | 138 | 8242 | \$402.38 |
| 89 | 32025128 | 89 | 8242 | \$402.38 | 139 | 32024402 | 139 | 8242 | \$402.38 |
| 90 | 32025127 | 90 | 8242 | \$402.38 | 140 | 32024403 | 140 | 8242 | \$402.38 |
| 91 | 32025126 | 91 | 8242 | \$402.38 | 141 | 32024404 | 141 | 8242 | \$402.38 |
| 92 | 32025125 | 92 | 8242 | \$402.38 | 142 | 32024405 | 142 | 8242 | \$402.38 |
| 93 | 32025124 | 93 | 8242 | \$402.38 | 143 | 32024406 | 143 | 8242 | \$402.38 |
| 94 | 32025123 | 94 | 8242 | \$402.38 | 144 | 32024407 | 144 | 8242 | \$402.38 |
| 95 | 32025122 | 95 | 8242 | \$402.38 | 145 | 32026234 | 145 | 8242 | \$402.38 |
| 96 | 32025121 | 96 | 8242 | \$402.38 | 146 | 32026235 | 146 | 8242 | \$402.38 |
| 97 | 32025120 | 97 | 8242 | \$402.38 | 147 | 32026236 | 147 | 8242 | \$402.38 |
| 98 | 32025119 | 98 | 8242 | \$402.38 | 148 | 32026237 | 148 | 8242 | \$402.38 |
| 99 | 32025118 | 99 | 8242 | \$402.38 | 149 | 32026238 | 149 | 8242 | \$402.38 |
| 100 | 32025117 | 100 | 8242 | \$402.38 | 150 | 32026239 | 150 | 8242 | \$402.38 |
| 101 | 32025116 | 101 | 8242 | \$402.38 | 151 | 32026240 | 151 | 8242 | \$402.38 |
| 102 | 32025115 | 102 | 8242 | \$402.38 | 152 | 32026241 | 152 | 8242 | \$402.38 |
| 103 | 32024301 | 103 | 8242 | \$402.38 | 153 | 32026217 | 153 | 8242 | \$402.38 |
| 104 | 32024302 | 104 | 8242 | \$402.38 | 154 | 32026218 | 154 | 8242 | \$402.38 |
| 105 | 32024302 | 105 | 8242 | \$402.38 | 155 | 32026319 | 155 | 8242 | \$402.38 |
| 106 | 32024304 | 106 | 8242 | \$402.38 | 156 | 32026220 | 156 | 8242 | \$402.38 |
| 107 | 32026250 | 107 | 8242 | \$402.38 | 157 | 32026221 | 157 | 8242 | \$402.38 |
| 108 | 32026251 | 108 | 8242 | \$402.38 | 158 | 32026227 | 158 | 8242 | \$402.38 |
| 109 | 32026252 | 109 | 8242 | \$402.38 | 159 | 32026228 | 159 | 8242 | \$402.38 |
| 110 | 32026253 | 110 | 8242 | \$402.38 | 160 | 32026229 | 160 | 8242 | \$402.38 |
| 111 | 32025114 | 111 | 8242 | \$402.38 | 161 | 32026230 | 161 | 8242 | \$402.38 |
| 112 | 32025113 | 112 | 8242 | \$402.38 | 162 | 32026231 | 162 | 8242 | \$402.38 |
| 113 | 32025112 | 113 | 8242 | \$402.38 | 163 | 32026232 | 163 | 8242 | \$402.38 |
| 114 | 32025111 | 114 | 8242 | \$402.38 | 164 | 32026233 | 164 | 8242 | \$402.38 |
| 115 | 32025109 | 115 | 8242 | \$402.38 | 165 | 32026222 | 165 | 8242 | \$402.38 |
| 116 | 32025108 | 116 | 8242 | \$402.38 | 166 | 32026223 | 166 | 8242 | \$402.38 |
| 117 | 32025107 | 117 | 8242 | \$402.38 | 167 | 32026224 | 167 | 8242 | \$402.38 |
| 118 | 32025106 | 118 | 8242 | \$402.38 | 168 | 32026225 | 168 | 8242 | \$402.38 |
| 119 | 32025105 | 119 | 8242 | \$402.38 | 169 | 32026226 | 169 | 8242 | \$402.38 |
| 120 | 32025104 | 120 | 8242 | \$402.38 | 170 | 32026206 | 170 | 8242 | \$402.38 |
| 121 | 32025103 | 121 | 8242 | \$402.38 | 171 | 32026205 | 171 | 8242 | \$402.38 |
| 122 | 32025102 | 122 | 8242 | \$402.38 | 172 | 32026204 | 172 | 8242 | \$402.38 |
| 123 | 32025101 | 123 | 8242 | \$402.38 | 173 | 32026203 | 173 | 8242 | \$402.38 |
| 124 | 32026242 | 124 | 8242 | \$402.38 | 174 | 32026202 | 174 | 8242 | \$402.38 |
| 125 | 32026243 | 125 | 8242 | \$402.38 | 175 | 32026201 | 175 | 8242 | \$402.38 |

| AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|----------|
| 176 | 32026101 | 176 | 8242 | \$402.38 |
| 177 | 32026102 | 177 | 8242 | \$402.38 |
| 178 | 32026103 | 178 | 8242 | \$402.38 |
| 179 | 32026104 | 179 | 8242 | \$402.38 |
| 180 | 32026105 | 180 | 8242 | \$402.38 |
| 181 | 32026106 | 181 | 8242 | \$402.38 |
| 182 | 32026107 | 182 | 8242 | \$402.38 |
| 183 | 32026108 | 183 | 8242 | \$402.38 |
| 184 | 32026109 | 184 | 8242 | \$402.38 |
| 185 | 32026110 | 185 | 8242 | \$402.38 |
| 186 | 32026111 | 186 | 8242 | \$402.38 |
| 187 | 32026112 | 187 | 8242 | \$402.38 |
| 188 | 32026113 | 188 | 8242 | \$402.38 |

PART E

ASSESSMENT DISTRICTS' BOUNDARIES

A diagram of the boundaries of Landscape and Lighting Maintenance District No. 3 is included herein.

The boundaries of the District are described as being the blue border of Tract No. 8242, as shown on a map recorded in Book 428, pages 19 through 24 of Miscellaneous Maps of Orange County, California.

Assessment Parcels 1 through 188 being also Lots 1 through 188 of Tract No. 8242.

Also, the lines and dimensions of each lot or parcel within the Districts are those lines and dimensions shown on the maps of the Assessor of the County of Orange for Fiscal Year 2019-20. The Assessor's maps and records are incorporated by reference herein and made part of this report.



LEGEND

--- STREET LIGHTING DISTRICT BOUNDARY

--- CITY OF BREA BOUNDARY

12 LOT NUMBER

⑫ ASSESSMENT NUMBER



ASSESSMENT DIAGRAM BOUNDRIES
STREET LIGHTING AND MAINTANENCE DISTRICT NO.3
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

SHEET 1 OF 1

**Lighting
Maintenance District
No. 4
City of Brea**

**Prepared under the authority of the
Landscaping and Lighting Act of 1972
Streets and Highways Code
State of California**

Fiscal Year 2019-20

Submitted by:

**Tony Olmos
Director of Public Works**

April 16, 2019

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City of Brea

April 16, 2019

Honorable Mayor and City Council
City of Brea
1 Civic Center Circle
Brea, CA 92821-5732

Re: Engineer's Report, Lighting Maintenance District No. 4

Transmitted herewith for your review and consideration is a report entitled, "Lighting Maintenance District No. 4, City of Brea."

This report has been prepared in accordance with the Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code. The report includes all the requirements of the Landscaping and Lighting Act of 1972 and the Streets and Highways Code, with particular reference to annual assessments after formation thereof of the District.

The report is submitted herewith for consideration at your next meeting to set a hearing date for the purpose of levying an annual assessment (Streets and Highways Code, Section 22620 to Section 22631).

Respectfully submitted,

Tony Olmos, Director
Public Works Department

s:\maintenance\maint districts\assessment 19-20\lmd4 1920.doc

City Council

Christine Marick
Mayor

Marty Simonoff
Mayor Pro Tem

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

Introduction and Background

Introduction:

This report has been prepared and is submitted for consideration by the City Council of the City of Brea under the authority of the Landscaping and Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code.

Background:

The City Council of the City of Brea adopted Resolution No. 78-7 on January 3, 1978 approving Tentative Tract 9298 and the condition therefore for the improvement of Tentative Tract 9298.

On May 26, 1981, the City Council of the City of Brea by minute motion deleted paragraph AA of PC 91-77 of the Planning Commission of the City of Brea and ordered the creation of a lighting Maintenance District for Street Lighting only. No landscape maintenance requirements are included in this report, as the areas that are landscaped are being maintained by the Homeowners' Association under the requirements of the development upon the sale of any portion of Tentative Tract 9298. The formation of the district and the levy of the first annual assessment were completed in accordance with the requirements of the Landscaping and Lighting Act of 1972 on July 5, 1978, by City Council Resolution No. 78-76.

The purpose of this report is to be utilized by the staff, the City Council, and the County Assessor in the levy and collection of an annual assessment after formation of an assessment district under the requirements of the Landscaping and Lighting Act of 1972 (State of California Streets and Highways Code, Section 22620 to 22631).

PART A PLANS AND SPECIFICATIONS

The facilities, which consist of street lighting, will be operated, serviced and maintained as generally described as follows:

Lighting, Traffic Signals and Appurtenant Facilities

Facilities include but are not limited to: Poles, fixtures, bulbs, conduits, conductors, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide lighting and traffic signals in public street and sidewalk rights-of-way and dedicated easements within the boundaries of the Assessment District.

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the public lighting facilities or appurtenant facilities; providing for the cleaning, sandblasting, and painting of poles and other improvements for general upkeep and to remove or cover graffiti.

Servicing means the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or appurtenant facilities.

The plans and specifications for the improvements, showing and describing the general nature, location, and the extent of the improvements, are on file in the office of the Director of Public Works and are incorporated herein by reference.

PART B ESTIMATE OF COST

The estimated cost of the operation, servicing and maintenance of the street and sidewalk improvements for Fiscal Year 2019-20, as described in Part A, are summarized herein and described below.

MAINTENANCE DISTRICT #4 – ANNUAL COST FACTORS

| Acct # | Description | FY 19-20 Est. |
|-------------------------|--|-----------------|
| 1. Fixed Costs | | Expenses |
| 4111 | Salaries & Benefits | \$1,466 |
| 4113 | Overtime | \$100 |
| 4243 | Engineering | \$0 |
| 4244 | Legal | \$0 |
| 4412 | Property Tax Collection | \$0 |
| | Fixed Costs Totals | \$1,566 |
| 2. ROUTINE COSTS | | |
| 4211 | Postage | \$105 |
| 4261 | Svc & Repair Equipment | \$600 |
| 4337 | Electrical Supplies & Parts | \$0 |
| 4441 | Miscellaneous Expense | \$0 |
| 5800 | Insurance and Other Expenses | \$128 |
| | Routine Costs Totals | \$833 |
| | Total Costs (Fixed & Routine) | \$2,399 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | FY 2019-20 Annual Assessments | \$2,760 |
| | Reserve Fund Requirement: | |
| | Operating Reserve – 50% (6 months)* | \$1,200 |
| | Capital Replacement Reserve** | |
| | Estimated Balance 1-July-2019 | \$18,385 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | Less planned capital expenditures | \$0 |
| | Estimated Fund Balance 30-Jun-2020 | \$18,746 |

*The Operating Reserve fund is being established for the District to cover the first six months of expenses annually before collection from the County has been received, as well as unexpected expenses. The funds will not exceed 50% of the anticipated annual expenditures, in anticipation of any maintenance costs that can and do occur during the year.

**The Capital Replacement Reserve fund is established to fund the replacement or refurbishment of components based on life expectancy and value of the improvements within the district. Based on the

current fund balance, there are insufficient funds to cover the replacement expenses of the existing improvements.

The 1972 Act requires that a special fund be set up for the revenues and expenditures of the Districts. Funds raised by assessment shall be used only for the purpose as stated herein. A contribution to the Districts by the City may be made to reduce assessments, as the City Council deems appropriate. Any balance or deficit remaining on July 1 must be carried over to the next fiscal year.

PART C

METHOD OF APPORTIONMENT OF ASSESSMENT

GENERAL

Part 2 of Division 15 of the Streets and Highways Code, the Landscaping and Landscaping and Lighting Act of 1972, permits the establishment of assessment districts by cities for the purpose of providing certain public improvements which include construction, operation, maintenance and servicing of street lights, traffic signals and landscaping.

Section 22573 of the Landscaping and Landscaping and Lighting Act of 1972 (the 1972 Act) requires that maintenance assessments be levied according to benefit rather than according to assessed value. This section states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

The 1972 Act permits the designation of zones of benefit within any individual assessment district if "by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements." (Sec. 22574). Thus, the 1972 Act requires the levy of a true "assessment" based on the actual benefit rather than a "special tax."

ASSESSMENT METHODOLOGY

The Park Paseo Development project (Tract Numbers 10224, 10324, 10325, 10326, 10327 and 9298, all a portion of Tentative Tract No. 9298 in the City of Brea) was developed under conditions of development as required by the City Council of the City of Brea.

The parcels of land in the District are single family residential (SFR) lots, with each of these lots benefiting equally from the improvements being maintained. Therefore, the costs associated with the landscaping and lighting within and directly adjacent to the tract will be apportioned on a residential lot basis as follows:

$$\text{\$2,760} / 230 \text{ SFR's} = \text{\$12.00} / \text{SFR}$$

PART D ASSESSMENT ROLL

The amount of the total proposed assessment for Fiscal Year 2019-20 apportioned to each lot or parcel within the District, as shown on the latest assessment roll at the Orange County Assessor's Office, is contained in the Assessment Roll provided below.

The description of each lot or parcel is part of the Orange County assessment roll and this roll is, by reference, made part of this Report.

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|---------|------|----------|-----|-------|---------|------|----------|-----|-------|---------|
| 1 | 32027131 | 1 | 10224 | \$12.00 | 41 | 32027156 | 10 | 10324 | \$12.00 | 81 | 32029208 | 19 | 10325 | \$12.00 |
| 2 | 32027130 | 2 | 10224 | \$12.00 | 42 | 32027157 | 11 | 10324 | \$12.00 | 82 | 32029209 | 20 | 10325 | \$12.00 |
| 3 | 32027129 | 3 | 10224 | \$12.00 | 43 | 32027158 | 12 | 10324 | \$12.00 | 83 | 32029210 | 21 | 10325 | \$12.00 |
| 4 | 32027128 | 4 | 10224 | \$12.00 | 44 | 32027159 | 13 | 10324 | \$12.00 | 84 | 32029211 | 22 | 10325 | \$12.00 |
| 5 | 32027127 | 5 | 10224 | \$12.00 | 45 | 32027160 | 14 | 10324 | \$12.00 | 85 | 32029212 | 23 | 10325 | \$12.00 |
| 6 | 32027126 | 6 | 10224 | \$12.00 | 46 | 32027161 | 15 | 10324 | \$12.00 | 86 | 32029213 | 24 | 10325 | \$12.00 |
| 7 | 32027125 | 7 | 10224 | \$12.00 | 47 | 32027162 | 16 | 10324 | \$12.00 | 87 | 32029214 | 25 | 10325 | \$12.00 |
| 8 | 32027124 | 8 | 10224 | \$12.00 | 48 | 32027163 | 17 | 10324 | \$12.00 | 88 | 32029215 | 26 | 10325 | \$12.00 |
| 9 | 32027123 | 9 | 10224 | \$12.00 | 49 | 32027164 | 18 | 10324 | \$12.00 | 89 | 32029201 | 27 | 10325 | \$12.00 |
| 10 | 32027122 | 10 | 10224 | \$12.00 | 50 | 32027165 | 19 | 10324 | \$12.00 | 90 | 32029202 | 28 | 10325 | \$12.00 |
| 11 | 32027121 | 11 | 10224 | \$12.00 | 51 | 32027166 | 20 | 10324 | \$12.00 | 91 | 32029203 | 29 | 10325 | \$12.00 |
| 12 | 32027120 | 12 | 10224 | \$12.00 | 52 | 32027167 | 21 | 10324 | \$12.00 | 92 | 32029204 | 30 | 10325 | \$12.00 |
| 13 | 32027119 | 13 | 10224 | \$12.00 | 53 | 32027178 | 1 | 11827 | \$12.00 | 93 | 32029205 | 31 | 10325 | \$12.00 |
| 14 | 32027118 | 14 | 10224 | \$12.00 | 54 | 32027179 | 2 | 11827 | \$12.00 | 94 | 32029206 | 32 | 10325 | \$12.00 |
| 15 | 32027117 | 15 | 10224 | \$12.00 | 55 | 32027180 | 3 | 11827 | \$12.00 | 95 | 32029207 | 33 | 10325 | \$12.00 |
| 16 | 32027116 | 16 | 10224 | \$12.00 | 56 | 32029143 | 4 | 11827 | \$12.00 | 96 | 32029112 | 34 | 10325 | \$12.00 |
| 17 | 32027115 | 17 | 10224 | \$12.00 | 57 | 32029145 | 5 | 11827 | \$12.00 | 97 | 32029148 | 10 | 11827 | \$12.00 |
| 18 | 32027114 | 18 | 10224 | \$12.00 | 58 | 32029144 | 6 | 11827 | \$12.00 | 98 | 32029149 | 9 | 11827 | \$12.00 |
| 19 | 32027113 | 19 | 10224 | \$12.00 | 59 | 32029102 | 28 | 10324 | \$12.00 | 99 | 32029150 | 19 | 11827 | \$12.00 |
| 20 | 32027112 | 20 | 10224 | \$12.00 | 60 | 32029107 | 29 | 10324 | \$12.00 | 100 | 32029151 | 12 | 11827 | \$12.00 |
| 21 | 32027111 | 21 | 10224 | \$12.00 | 61 | 32029147 | 7 | 11827 | \$12.00 | 101 | 32029152 | 11 | 11827 | \$12.00 |
| 22 | 32027110 | 22 | 10224 | \$12.00 | 62 | 32029146 | 8 | 11827 | \$12.00 | 102 | 32029253 | 1 | 10326 | \$12.00 |
| 23 | 32027109 | 23 | 10224 | \$12.00 | 63 | 32029235 | 1 | 10325 | \$12.00 | 103 | 32029254 | 2 | 10326 | \$12.00 |
| 24 | 32027108 | 24 | 10224 | \$12.00 | 64 | 32029236 | 2 | 10325 | \$12.00 | 104 | 32029255 | 3 | 10326 | \$12.00 |
| 25 | 32027107 | 25 | 10224 | \$12.00 | 65 | 32029237 | 3 | 10325 | \$12.00 | 105 | 32029256 | 4 | 10326 | \$12.00 |
| 26 | 32027106 | 26 | 10224 | \$12.00 | 66 | 32029238 | 4 | 10325 | \$12.00 | 106 | 32029257 | 5 | 10326 | \$12.00 |
| 27 | 32027105 | 27 | 10224 | \$12.00 | 67 | 32029239 | 5 | 10325 | \$12.00 | 107 | 32029258 | 6 | 10326 | \$12.00 |
| 28 | 32027104 | 28 | 10224 | \$12.00 | 68 | 32029231 | 6 | 10325 | \$12.00 | 108 | 32029246 | 7 | 10326 | \$12.00 |
| 29 | 32027103 | 29 | 10224 | \$12.00 | 69 | 32029232 | 7 | 10325 | \$12.00 | 109 | 32029247 | 8 | 10326 | \$12.00 |
| 30 | 32027102 | 30 | 10224 | \$12.00 | 70 | 32029233 | 8 | 10325 | \$12.00 | 110 | 32029248 | 9 | 10326 | \$12.00 |
| 31 | 32027101 | 31 | 10224 | \$12.00 | 71 | 32029234 | 9 | 10325 | \$12.00 | 111 | 32029249 | 10 | 10326 | \$12.00 |
| 32 | 32027147 | 1 | 10324 | \$12.00 | 72 | 32029216 | 10 | 10325 | \$12.00 | 112 | 32029250 | 11 | 10326 | \$12.00 |
| 33 | 32027148 | 2 | 10324 | \$12.00 | 73 | 32029217 | 11 | 10325 | \$12.00 | 113 | 32029251 | 12 | 10326 | \$12.00 |
| 34 | 32027149 | 3 | 10324 | \$12.00 | 74 | 32029218 | 12 | 10325 | \$12.00 | 114 | 32029252 | 13 | 10326 | \$12.00 |
| 35 | 32027150 | 4 | 10324 | \$12.00 | 75 | 32029219 | 13 | 10325 | \$12.00 | 115 | 32029240 | 14 | 10326 | \$12.00 |
| 36 | 32027151 | 5 | 10324 | \$12.00 | 76 | 32029220 | 14 | 10325 | \$12.00 | 116 | 32029241 | 15 | 10326 | \$12.00 |
| 37 | 32027152 | 6 | 10324 | \$12.00 | 77 | 32029221 | 15 | 10325 | \$12.00 | 117 | 32029242 | 16 | 10326 | \$12.00 |
| 38 | 32027153 | 7 | 10324 | \$12.00 | 78 | 32029222 | 16 | 10325 | \$12.00 | 118 | 32029243 | 17 | 10326 | \$12.00 |
| 39 | 32027154 | 8 | 10324 | \$12.00 | 79 | 32029223 | 17 | 10325 | \$12.00 | 119 | 32029244 | 18 | 10326 | \$12.00 |
| 40 | 32027155 | 9 | 10324 | \$12.00 | 80 | 32029224 | 18 | 10325 | \$12.00 | 120 | 32029245 | 19 | 10326 | \$12.00 |

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|---------|------|----------|-----|-------|---------|
| 121 | 32029225 | 20 | 10326 | \$12.00 | 179 | 32031369 | 3 | 9298 | \$12.00 |
| 122 | 32029226 | 21 | 10326 | \$12.00 | 180 | 32031368 | 4 | 9298 | \$12.00 |
| 123 | 32029227 | 22 | 10326 | \$12.00 | 181 | 32031367 | 5 | 9298 | \$12.00 |
| 124 | 32029228 | 23 | 10326 | \$12.00 | 182 | 32031366 | 6 | 9298 | \$12.00 |
| 125 | 32029229 | 24 | 10326 | \$12.00 | 183 | 32031365 | 7 | 9298 | \$12.00 |
| 126 | 32029230 | 25 | 10326 | \$12.00 | 184 | 32031364 | 8 | 9298 | \$12.00 |
| 127 | 32029153 | 16 | 11827 | \$12.00 | 185 | 32031363 | 9 | 9298 | \$12.00 |
| 128 | 32029154 | 15 | 11827 | \$12.00 | 186 | 32031362 | 10 | 9298 | \$12.00 |
| 129 | 32029155 | 14 | 11827 | \$12.00 | 187 | 32031361 | 11 | 9298 | \$12.00 |
| 130 | 32029156 | 17 | 11827 | \$12.00 | 188 | 32031360 | 12 | 9298 | \$12.00 |
| 131 | 32029122 | 30 | 10326 | \$12.00 | 189 | 32031359 | 13 | 9298 | \$12.00 |
| 132 | 32029123 | 31 | 10326 | \$12.00 | 190 | 32031358 | 14 | 9298 | \$12.00 |
| 133 | 32029124 | 32 | 10326 | \$12.00 | 191 | 32031357 | 15 | 9298 | \$12.00 |
| 134 | 32029125 | 33 | 10326 | \$12.00 | 192 | 32031356 | 16 | 9298 | \$12.00 |
| 135 | 32029126 | 34 | 10326 | \$12.00 | 193 | 32031355 | 17 | 9298 | \$12.00 |
| 136 | 32031320 | 1 | 10327 | \$12.00 | 194 | 32031354 | 18 | 9298 | \$12.00 |
| 137 | 32031319 | 2 | 10327 | \$12.00 | 195 | 32031353 | 19 | 9298 | \$12.00 |
| 138 | 32031101 | 3 | 10327 | \$12.00 | 196 | 32031352 | 20 | 9298 | \$12.00 |
| 139 | 32031102 | 4 | 10327 | \$12.00 | 197 | 32031351 | 21 | 9298 | \$12.00 |
| 140 | 32031103 | 5 | 10327 | \$12.00 | 198 | 32031350 | 22 | 9298 | \$12.00 |
| 141 | 32031104 | 6 | 10327 | \$12.00 | 199 | 32031349 | 23 | 9298 | \$12.00 |
| 142 | 32029402 | 7 | 10327 | \$12.00 | 200 | 32031348 | 24 | 9298 | \$12.00 |
| 143 | 32029401 | 8 | 10327 | \$12.00 | 201 | 32031347 | 25 | 9298 | \$12.00 |
| 144 | 32029263 | 9 | 10327 | \$12.00 | 202 | 32031346 | 26 | 9298 | \$12.00 |
| 145 | 32029262 | 10 | 10327 | \$12.00 | 203 | 32031345 | 27 | 9298 | \$12.00 |
| 146 | 32029259 | 11 | 10327 | \$12.00 | 204 | 32031344 | 28 | 9298 | \$12.00 |
| 147 | 32029260 | 12 | 10327 | \$12.00 | 205 | 32031343 | 29 | 9298 | \$12.00 |
| 148 | 32029261 | 13 | 10327 | \$12.00 | 206 | 32031342 | 30 | 9298 | \$12.00 |
| 149 | 32029404 | 14 | 10327 | \$12.00 | 207 | 32031341 | 31 | 9298 | \$12.00 |
| 150 | 32029403 | 15 | 10327 | \$12.00 | 208 | 32031340 | 32 | 9298 | \$12.00 |
| 151 | 32031105 | 16 | 10327 | \$12.00 | 209 | 32031339 | 33 | 9298 | \$12.00 |
| 152 | 32031106 | 17 | 10327 | \$12.00 | 210 | 32031338 | 34 | 9298 | \$12.00 |
| 153 | 32031107 | 18 | 10327 | \$12.00 | 211 | 32031337 | 35 | 9298 | \$12.00 |
| 154 | 32029127 | 19 | 10327 | \$12.00 | 212 | 32031336 | 36 | 9298 | \$12.00 |
| 155 | 32029128 | 20 | 10327 | \$12.00 | 213 | 32031335 | 37 | 9298 | \$12.00 |
| 156 | 32029129 | 21 | 10327 | \$12.00 | 214 | 32031334 | 38 | 9298 | \$12.00 |
| 157 | 32029130 | 22 | 10327 | \$12.00 | 215 | 32031333 | 39 | 9298 | \$12.00 |
| 158 | 32029131 | 23 | 10327 | \$12.00 | 216 | 32031332 | 40 | 9298 | \$12.00 |
| 159 | 32031301 | 24 | 10327 | \$12.00 | 217 | 32031331 | 41 | 9298 | \$12.00 |
| 160 | 32031302 | 25 | 10327 | \$12.00 | 218 | 32031401 | 42 | 9298 | \$12.00 |
| 161 | 32031303 | 26 | 10327 | \$12.00 | 219 | 32031402 | 43 | 9298 | \$12.00 |
| 162 | 32031304 | 27 | 10327 | \$12.00 | 220 | 32031403 | 44 | 9298 | \$12.00 |
| 163 | 32031305 | 28 | 10327 | \$12.00 | 221 | 32031404 | 45 | 9298 | \$12.00 |
| 164 | 32031306 | 29 | 10327 | \$12.00 | 222 | 32031405 | 46 | 9298 | \$12.00 |
| 165 | 32031307 | 30 | 10327 | \$12.00 | 223 | 32031406 | 47 | 9298 | \$12.00 |
| 166 | 32031308 | 31 | 10327 | \$12.00 | 224 | 32031407 | 48 | 9298 | \$12.00 |
| 167 | 32031309 | 32 | 10327 | \$12.00 | 225 | 32031408 | 49 | 9298 | \$12.00 |
| 168 | 32031390 | 33 | 10327 | \$12.00 | 226 | 32031409 | 50 | 9298 | \$12.00 |
| 169 | 32031389 | 34 | 10327 | \$12.00 | 227 | 32031410 | 51 | 9298 | \$12.00 |
| 170 | 32031312 | 35 | 10327 | \$12.00 | 228 | 32031411 | 52 | 9298 | \$12.00 |
| 171 | 32031313 | 36 | 10327 | \$12.00 | 229 | 32031412 | 53 | 9298 | \$12.00 |
| 172 | 32031314 | 37 | 10327 | \$12.00 | 230 | 32031413 | 54 | 9298 | \$12.00 |
| 173 | 32031315 | 38 | 10327 | \$12.00 | | | | | |
| 174 | 32031316 | 39 | 10327 | \$12.00 | | | | | |
| 175 | 32031318 | 40 | 10327 | \$12.00 | | | | | |
| 176 | 32031317 | 41 | 10327 | \$12.00 | | | | | |
| 177 | 32031371 | 1 | 9298 | \$12.00 | | | | | |
| 178 | 32031370 | 2 | 9298 | \$12.00 | | | | | |

PART E

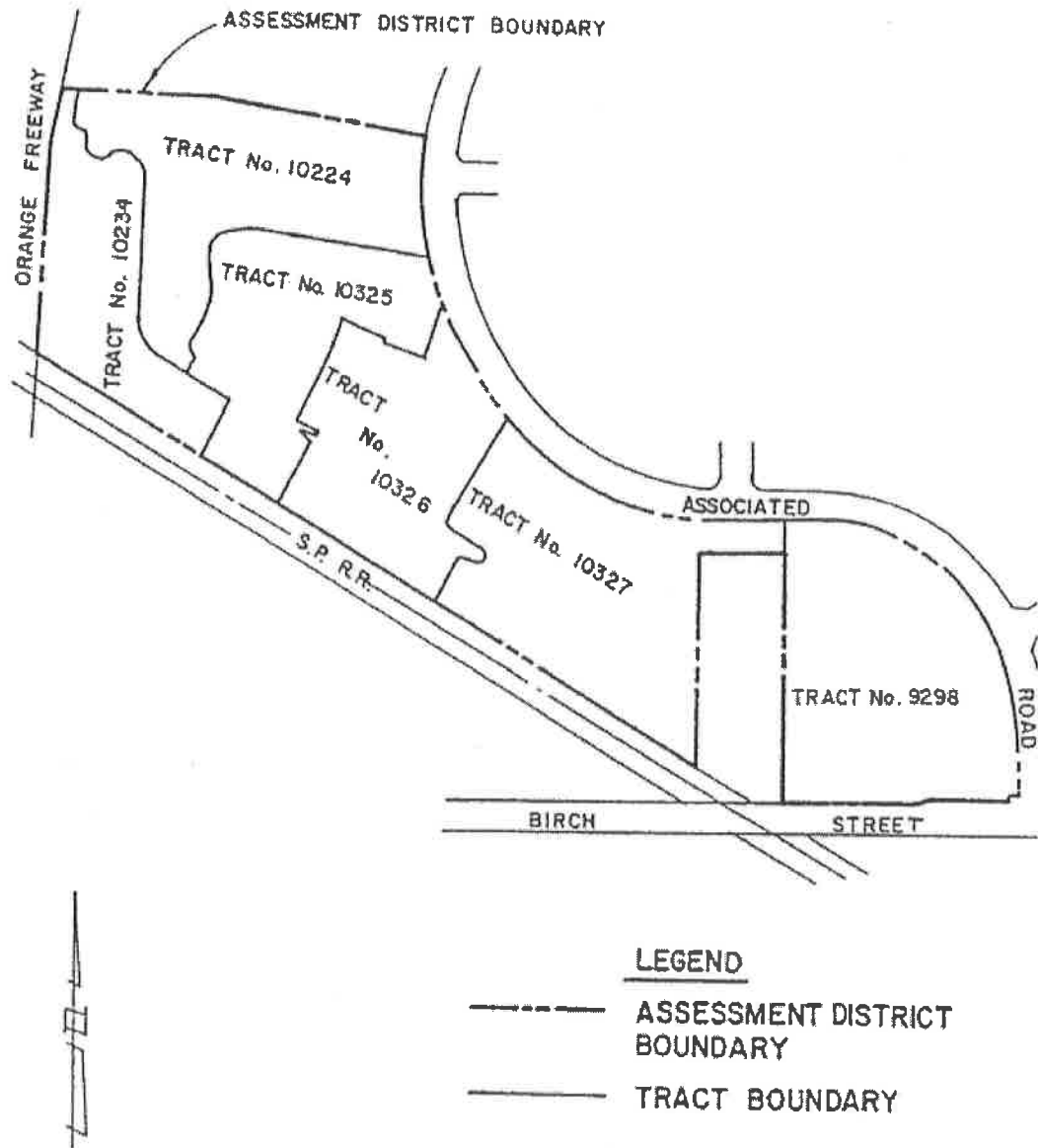
ASSESSMENT DISTRICTS' BOUNDARIES

A diagram of the boundaries of Lighting Maintenance District No. 4 is included herein.

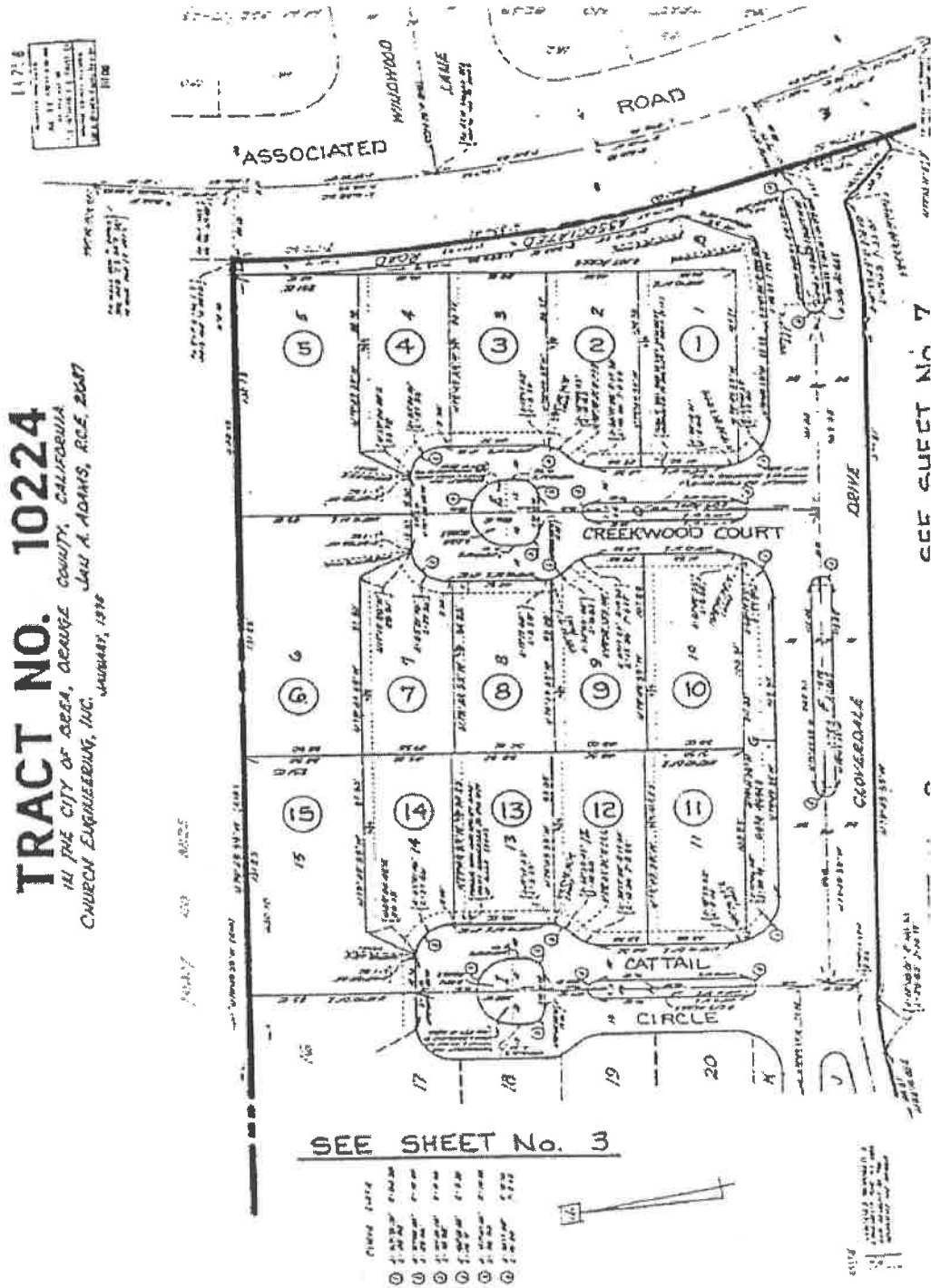
District No. 4 is generally located east of the Orange Freeway, North of Birch Street and the Southern Pacific Railroad right of way and South and West of Associated Road. The lands within the District boundaries include Tract 10224, Tract 10324, Tract 10325, Tract 10326, Tract 10327 and Tract 9298 in the City of Brea, County of Orange, State of California. The entire Project is commonly known as "Park Paseo" project in the City of Brea.

The boundaries of the District are described as the North line of Tract 10224, the Easterly line of Tracts 10224 and Tract 10324, the Northerly line of Tracts 10326, Tract 10327 and Tract 9298, the Easterly line of Tract 9298 together with the South line of Tract 9298 and the Southerly line of Tract 10327, Tract 10326, Tract 10325, Tract 10324 and the West line and North line of Tract 10324 in the City of Brea, County of Orange, State of California.

Also, the lines and dimensions of each lot or parcel within the Districts are those lines and dimensions shown on the maps of the Assessor of the County of Orange for Fiscal Year 2019-20. The Assessor's maps and records are incorporated by reference herein and made part of this report.



ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 1 OF 17



ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 2 OF 1

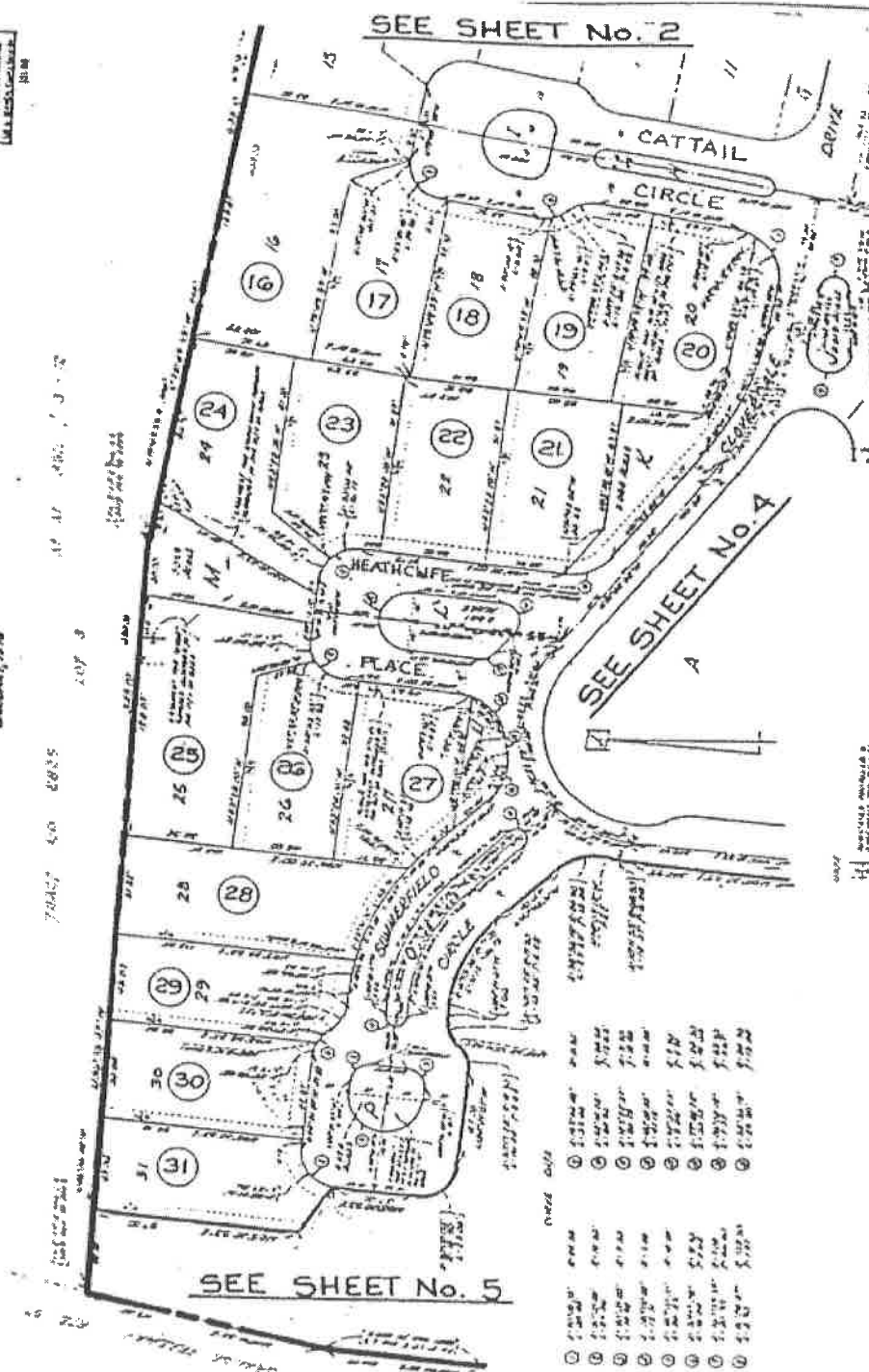
136 18



TRACT NO. 10224
IN THE CITY OF BREA, ORANGE COUNTY, CALIFORNIA
CHURCH ENGINEERING, INC.
JANUARY 1987

107 3

704.7 4.0 20.5

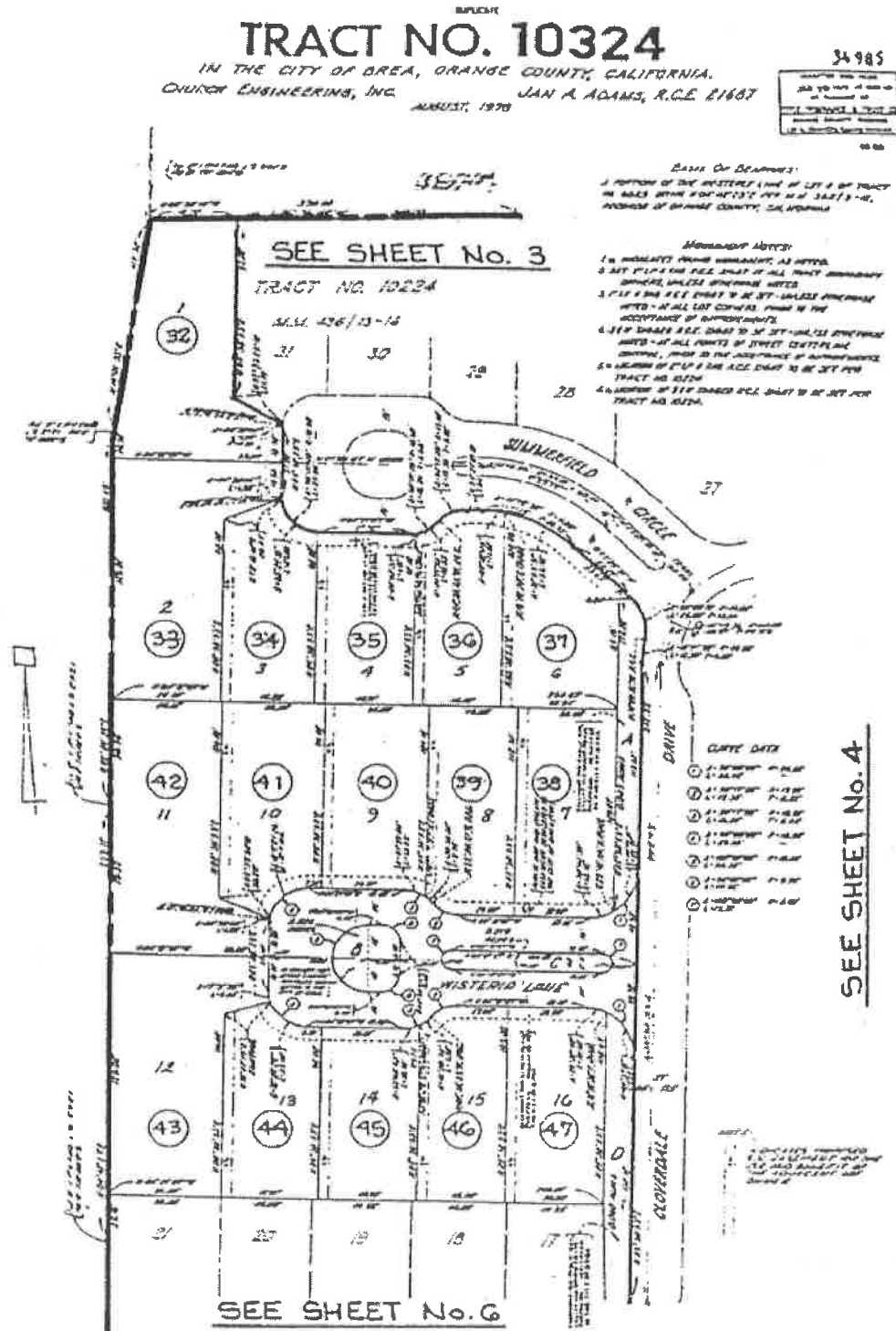


ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 3 OF 17

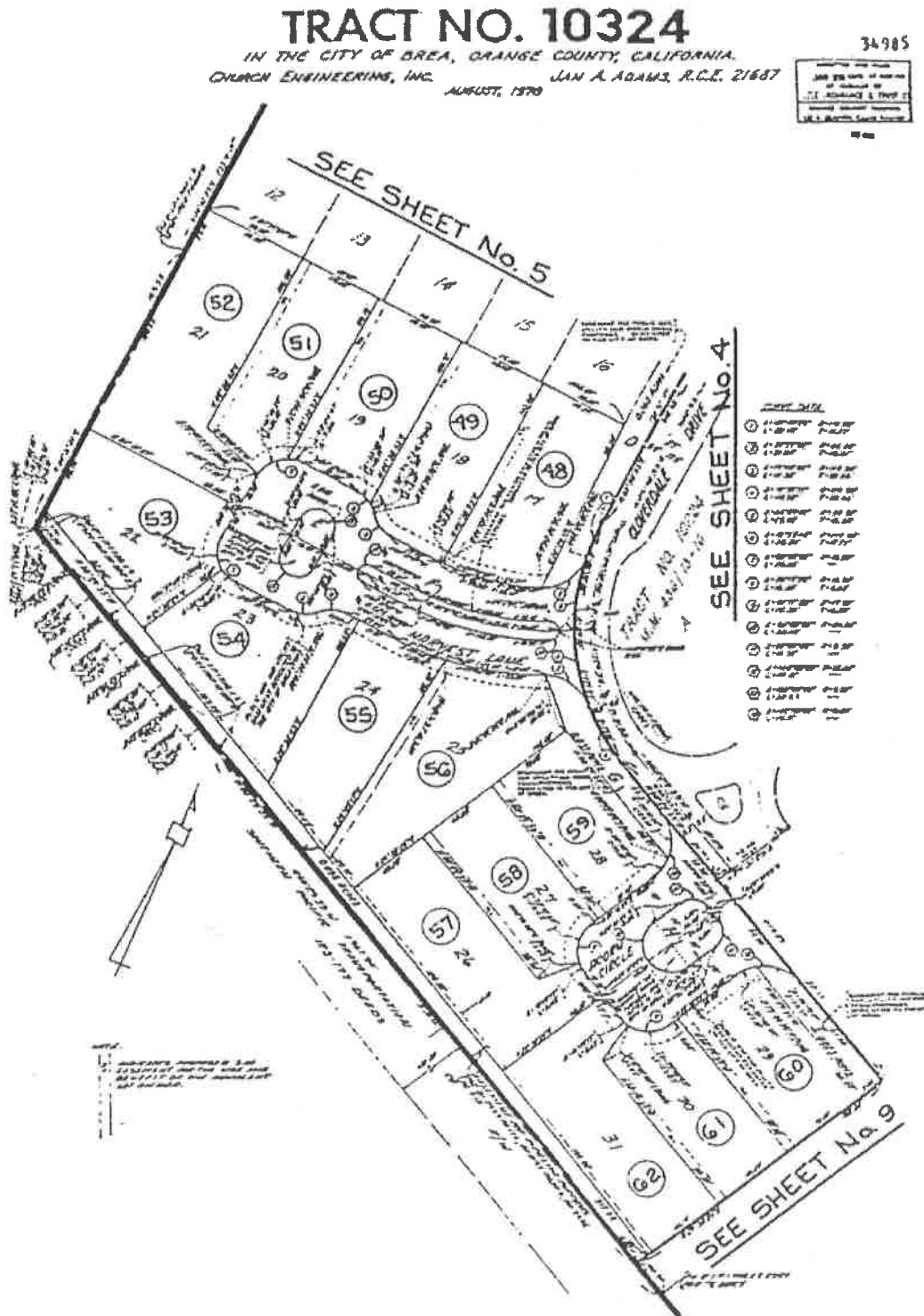


CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4

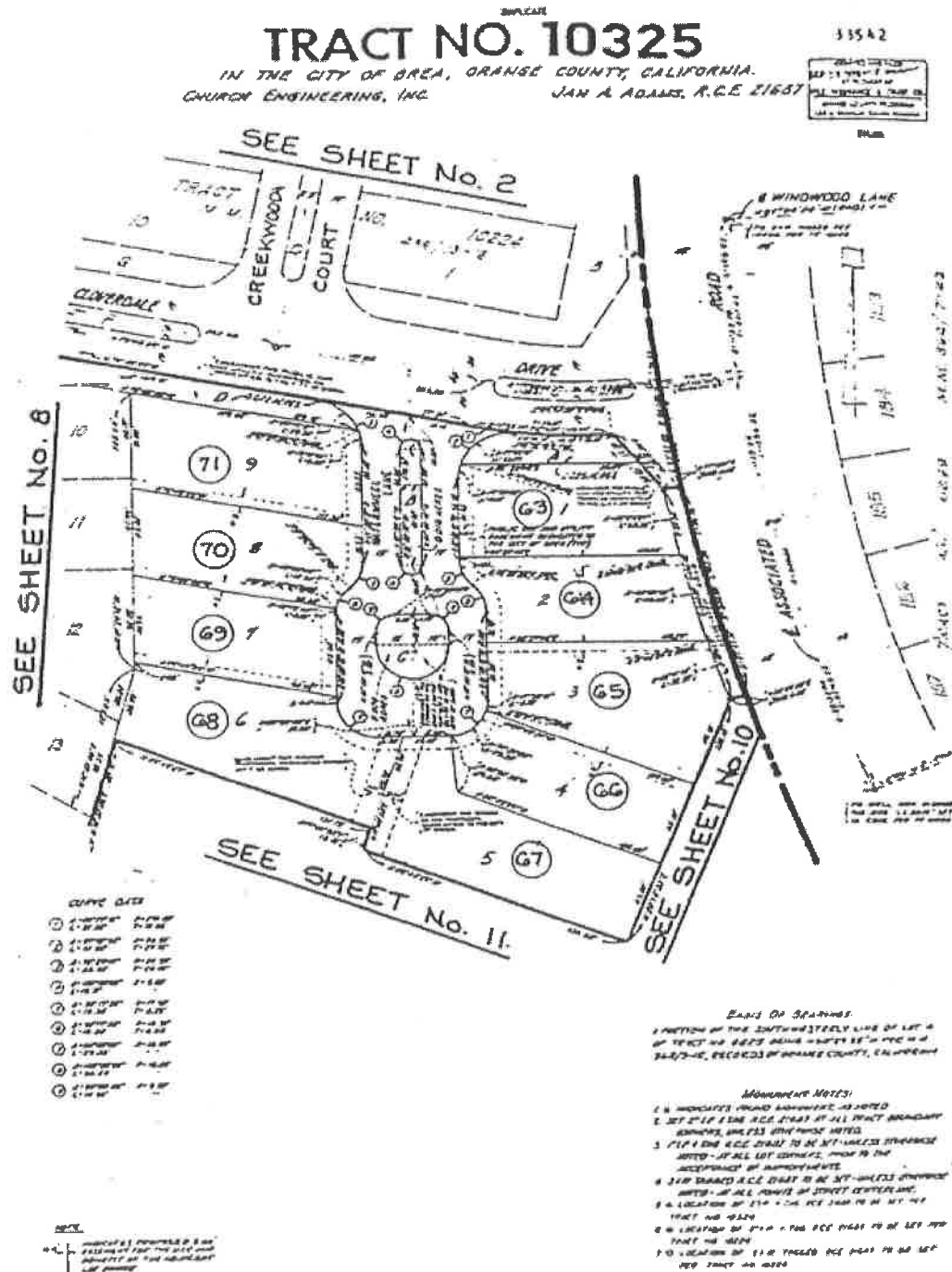
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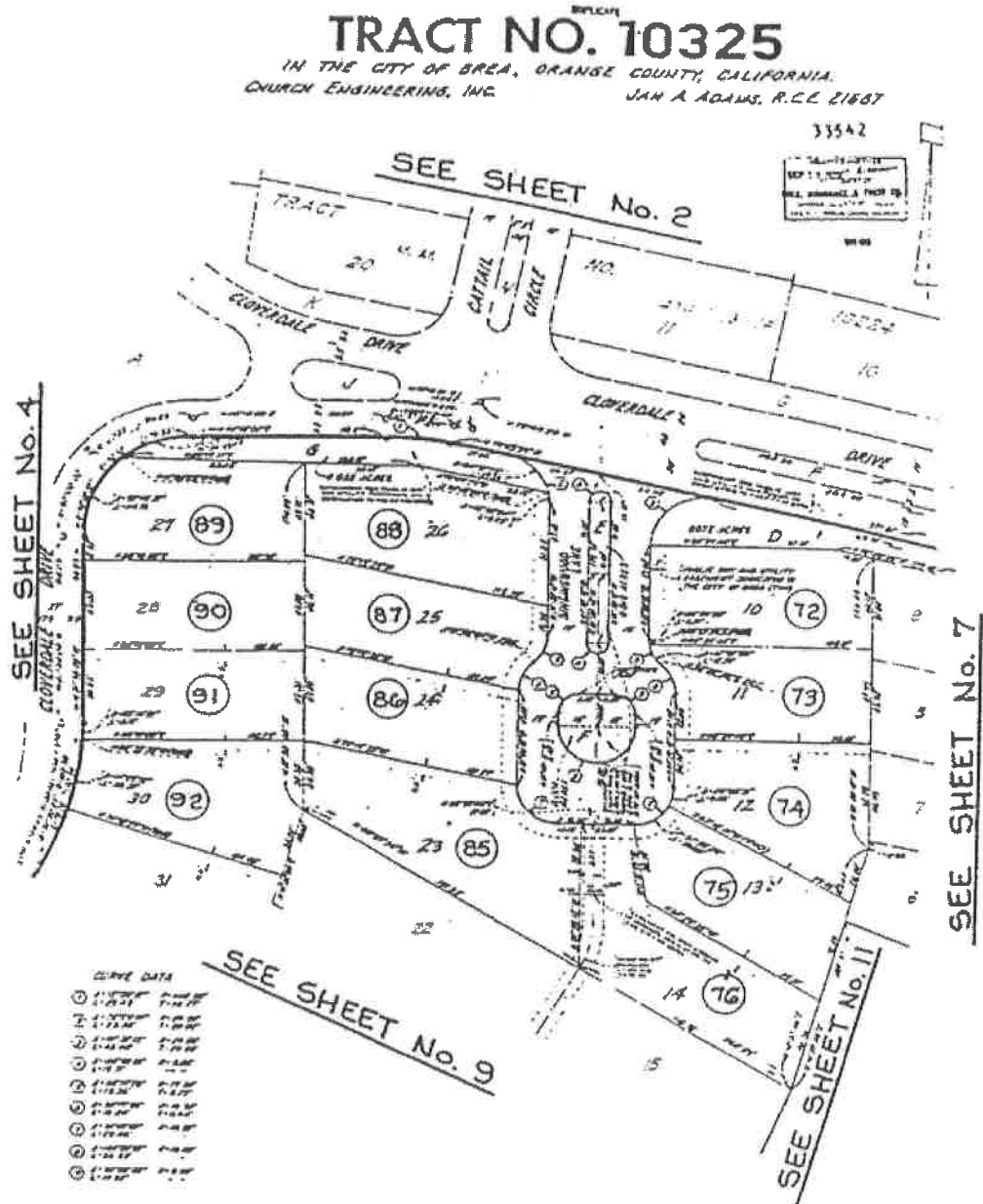
ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 5 OF 17



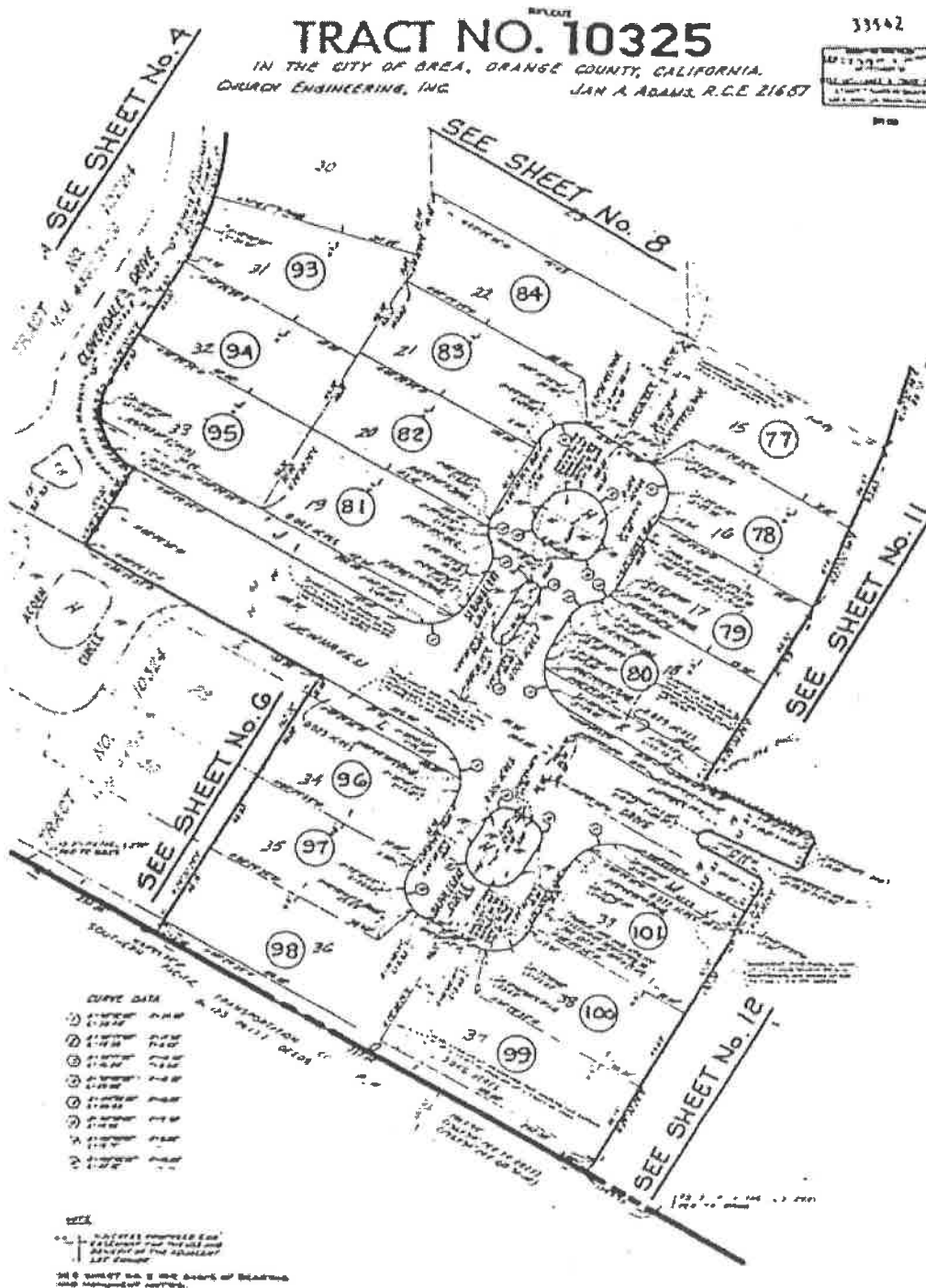
ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 6 OF 17



ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 7 OF 17

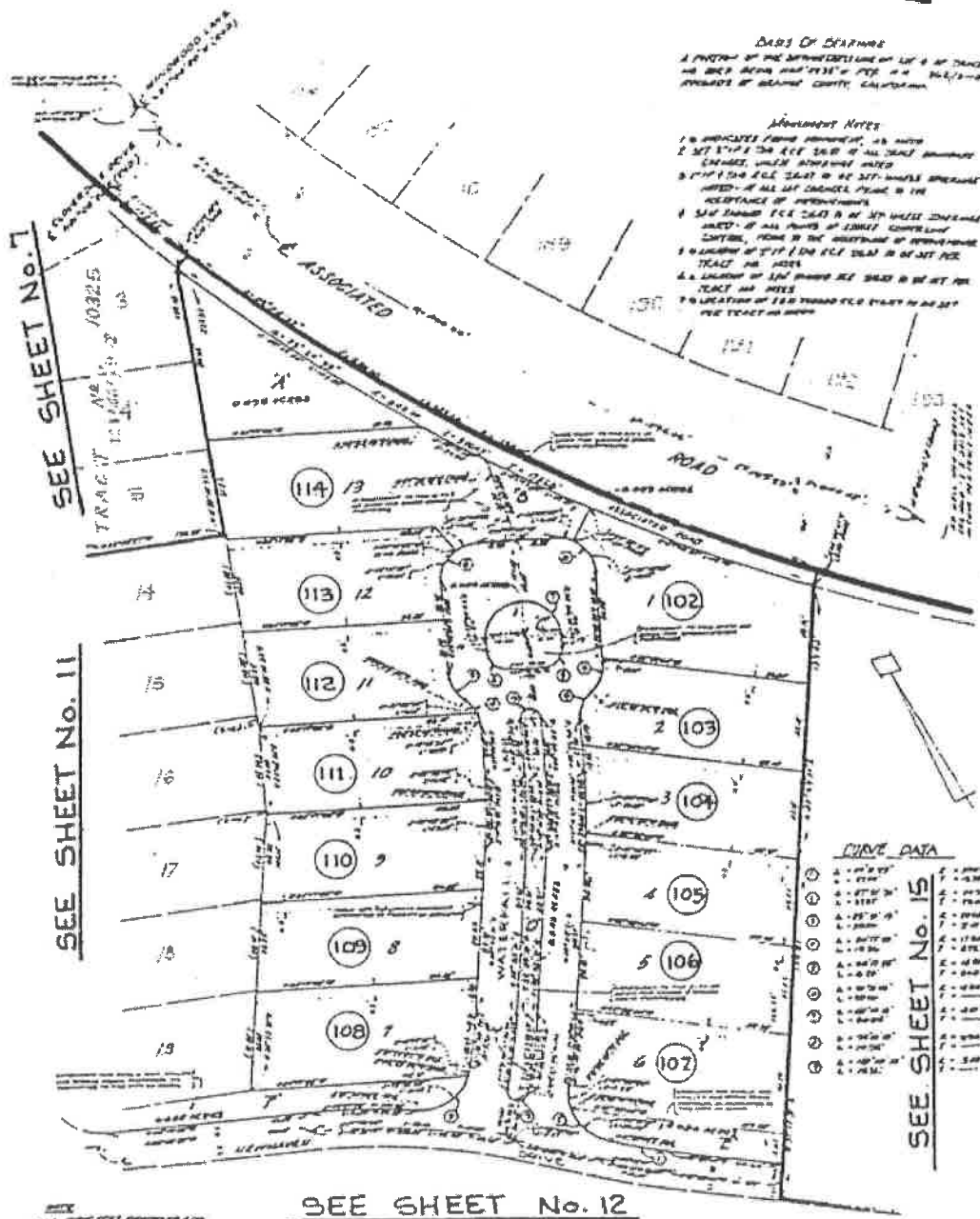


ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 8 OF 17



ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 9 OF 17

TRACT NO. 10326
IN THE CITY OF BREA, ORANGE COUNTY, CALIFORNIA
CHURCH ENGINEERING, INC. JAN A ADAMS, R.C.S. 2687
DECEMBER, 1979



ASSESSMENT DIAGRAM

**CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4**

IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 10 OF 17

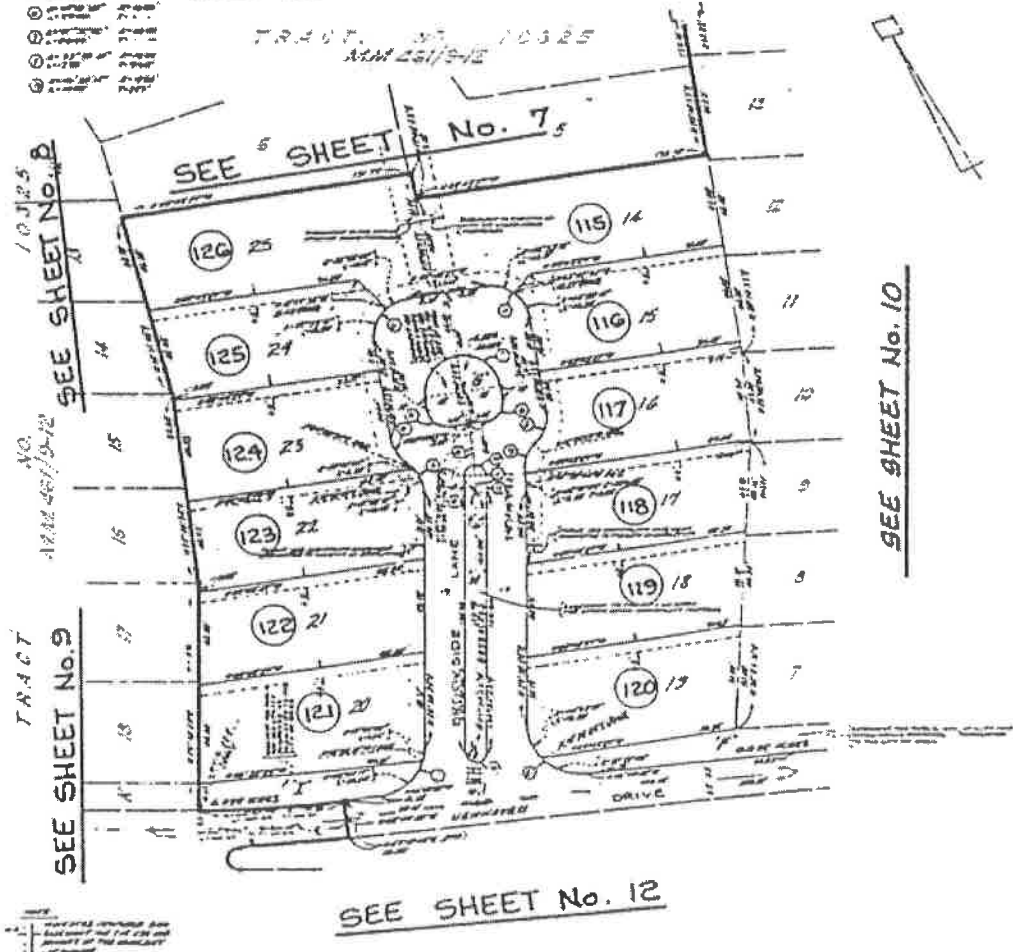
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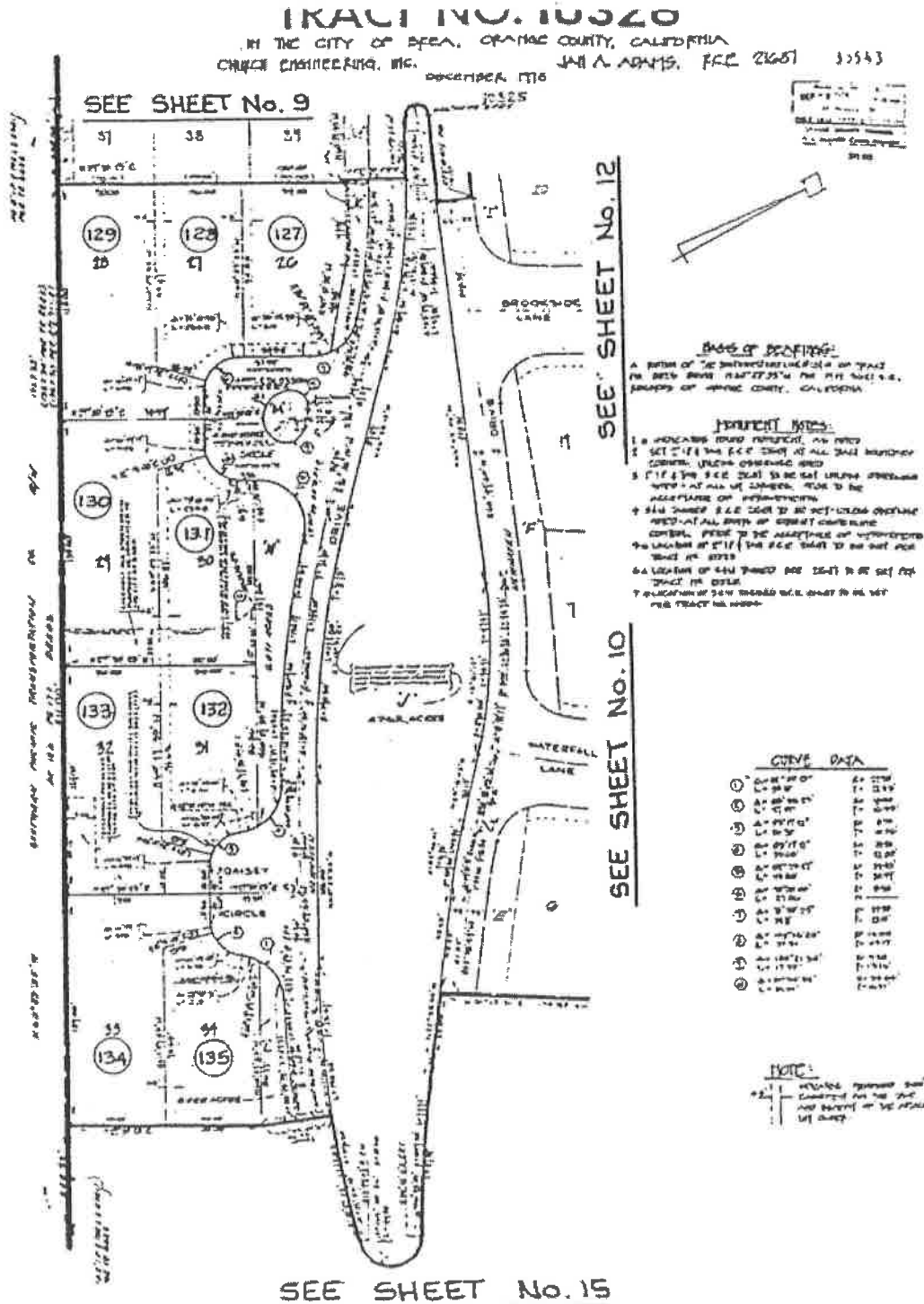
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PROBLEMS

- $a = 10^3$ and $b = 10^2$ $a + b = 10^3 + 10^2$
 $a - b = 10^3 - 10^2$ $a \cdot b = 10^3 \cdot 10^2$
 $a \div b = 10^3 \div 10^2$ $a^2 = (10^3)^2$
- $a = 10^4$ and $b = 10^3$ $a + b = 10^4 + 10^3$
 $a - b = 10^4 - 10^3$ $a \cdot b = 10^4 \cdot 10^3$
 $a \div b = 10^4 \div 10^3$ $a^2 = (10^4)^2$
- $a = 10^5$ and $b = 10^4$ $a + b = 10^5 + 10^4$
 $a - b = 10^5 - 10^4$ $a \cdot b = 10^5 \cdot 10^4$
 $a \div b = 10^5 \div 10^4$ $a^2 = (10^5)^2$
- $a = 10^6$ and $b = 10^5$ $a + b = 10^6 + 10^5$
 $a - b = 10^6 - 10^5$ $a \cdot b = 10^6 \cdot 10^5$
 $a \div b = 10^6 \div 10^5$ $a^2 = (10^6)^2$
- $a = 10^7$ and $b = 10^6$ $a + b = 10^7 + 10^6$
 $a - b = 10^7 - 10^6$ $a \cdot b = 10^7 \cdot 10^6$
 $a \div b = 10^7 \div 10^6$ $a^2 = (10^7)^2$
- $a = 10^8$ and $b = 10^7$ $a + b = 10^8 + 10^7$
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 $a \div b = 10^8 \div 10^7$ $a^2 = (10^8)^2$
- $a = 10^9$ and $b = 10^8$ $a + b = 10^9 + 10^8$
 $a - b = 10^9 - 10^8$ $a \cdot b = 10^9 \cdot 10^8$
 $a \div b = 10^9 \div 10^8$ $a^2 = (10^9)^2$
- $a = 10^{10}$ and $b = 10^9$ $a + b = 10^{10} + 10^9$
 $a - b = 10^{10} - 10^9$ $a \cdot b = 10^{10} \cdot 10^9$
 $a \div b = 10^{10} \div 10^9$ $a^2 = (10^{10})^2$
- $a = 10^{11}$ and $b = 10^{10}$ $a + b = 10^{11} + 10^{10}$
 $a - b = 10^{11} - 10^{10}$ $a \cdot b = 10^{11} \cdot 10^{10}$
 $a \div b = 10^{11} \div 10^{10}$ $a^2 = (10^{11})^2$
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 $a \div b = 10^{12} \div 10^{11}$ $a^2 = (10^{12})^2$



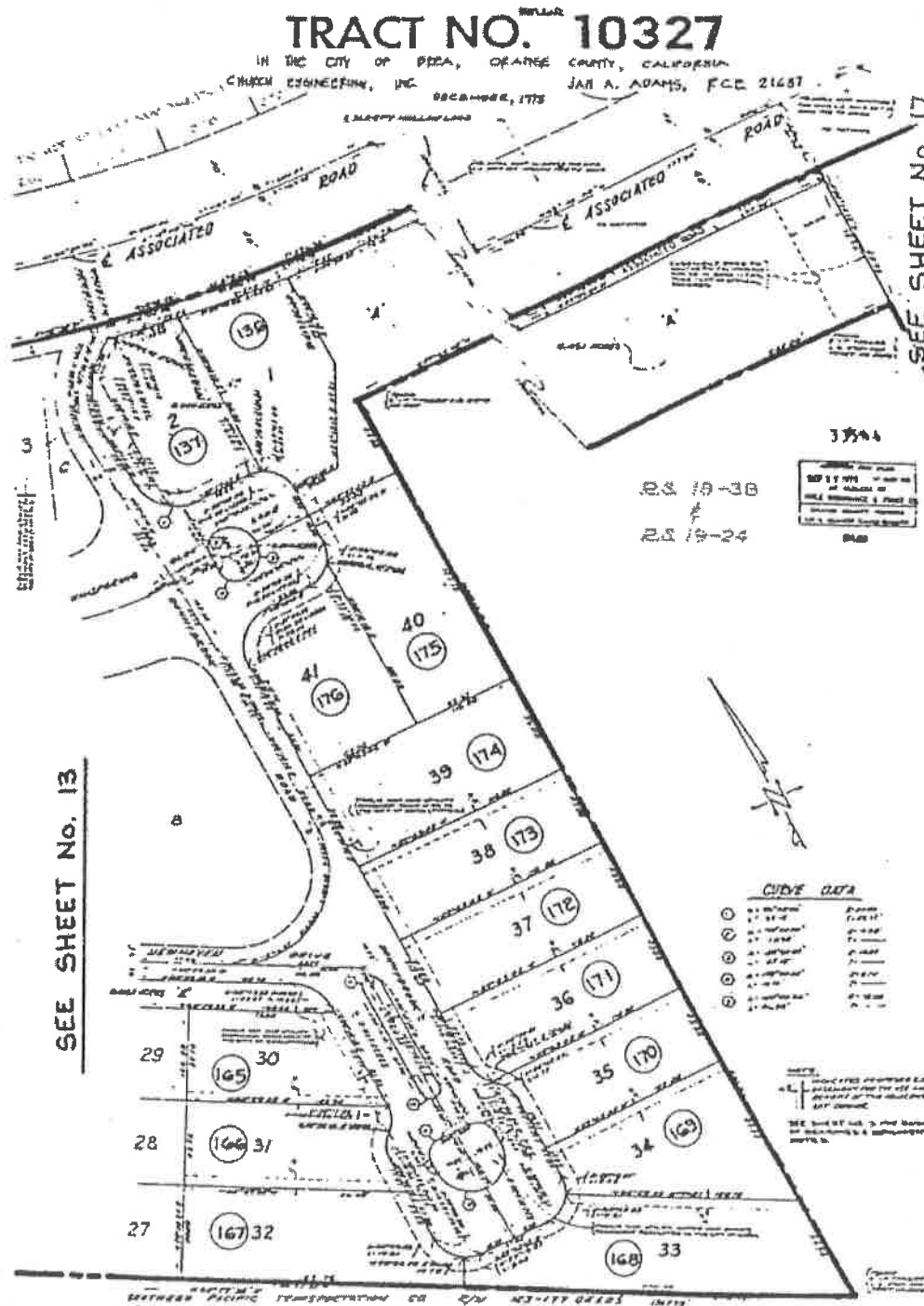
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 11 OF 17

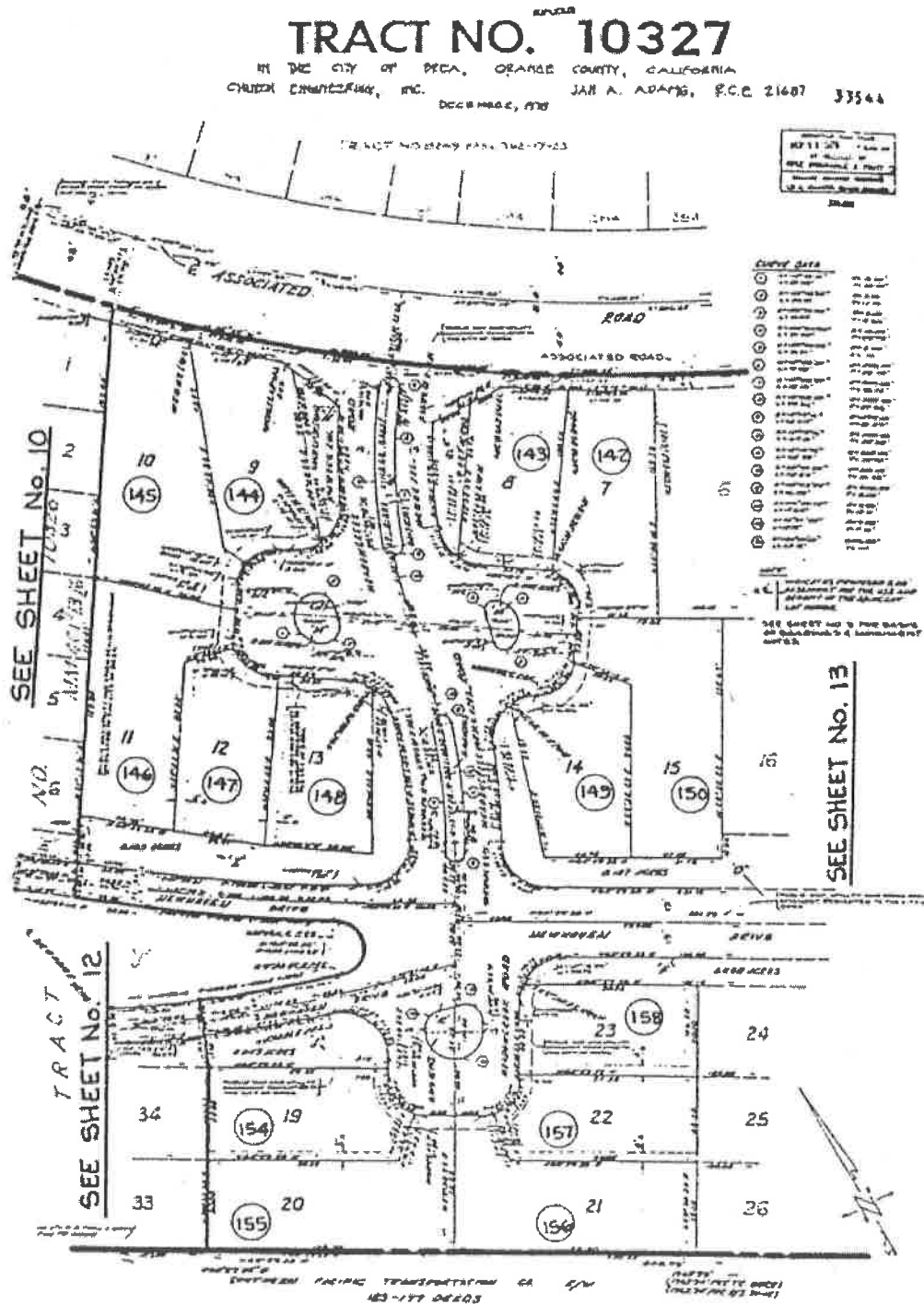


ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 12 OF 17

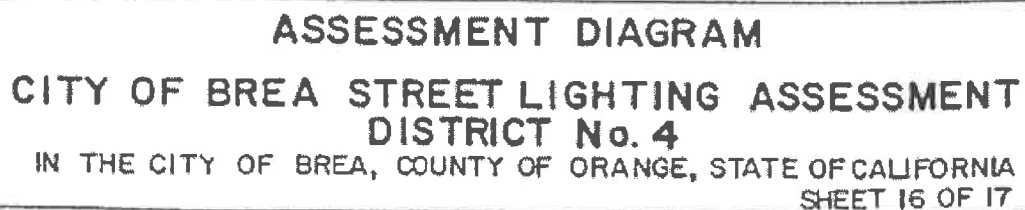
IN THE CITY OF OAKLAND, CLATSOP COUNTY, CALIFORNIA
CHARLES CHRISTENSEN, JR. JAMES A. ADAMS, JR.







ASSESSMENT DIAGRAM
CITY OF BREA STREET LIGHTING ASSESSMENT
DISTRICT No. 4
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA
SHEET 15 OF 17



IN THE CITY OF BREA, ORANGE COUNTY, CALIFORNIA
CHURCH ENGINEERING, INC. JAN A. ADAMS, P.C.E. 21657
JANUARY 1979 TRACT NO.



**Landscape and Lighting
Maintenance District
No. 5
City of Brea**

Prepared under the authority of the
Landscape and Lighting Act of 1972
Streets and Highways Code
State of California

Fiscal Year 2019-20

Submitted by:

**Tony Olmos
Director of Public Works**

April 16, 2019

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City of Brea

April 16, 2019

Honorable Mayor and City Council
City of Brea
1 Civic Center Circle
Brea, CA 92821-5732

Re: Engineer's Report, Landscape & Lighting Maintenance District No. 5

Transmitted herewith for your review and consideration is a report entitled, "Landscape and Lighting Maintenance District No. 5, City of Brea."

This report has been prepared in accordance with the Landscape and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code. The report includes all the requirements of the Landscape and Lighting Act of 1972 and the Streets and Highways Code, with particular reference to annual assessments after formation thereof of the District.

The report is submitted herewith for consideration at your next meeting to set a hearing date for the purpose of levying an annual assessment (Streets and Highways Code, Section 22620 to Section 22631). Because we are proposing to increase assessments to cover increased costs, we will be mailing out notices and assessment ballots to all affected property owners, in conformance with Proposition 218.

Respectfully submitted,

Tony Olmos, Director
Public Works Department

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City Council

Christine Marick
Mayor

Marty Simonoff
Mayor Pro Tem

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

Introduction and Background

Introduction:

This report has been prepared and is submitted for consideration by the City Council of the City of Brea under the authority of the Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code, Article XIID of the California Constitution, and the Proposition 218 Omnibus Implementation Act.

Background:

On June 1, 1982 the City Council of the City of Brea adopted and approved Resolution No. 82-57 creating Landscape and Lighting Maintenance District No. 5 in the City of Brea.

The creating of Landscape and Lighting Maintenance District No. 5 in the City of Brea was a requirement of the City of Brea for the development of Tentative Tract No. 8820, known as "Canyon Country," and Tentative Tract No. 9414, known as "Canyondale."

In FY 2003-04, the property owners submitted ballots and approved an increase in assessment rate. Included in that balloting was an annual CPI escalator that will allow the assessment rate to keep up with the cost of living. The annual escalator sets the maximum rate that the properties might be assessed.

The purpose of this report is to be utilized by the City Staff, the City Council, and the County Assessor in the levy and collection of an annual assessment after formation of an assessment district under the requirements of the Landscaping and Lighting Act of 1972 (State of California and Highways Code, Section 22620 to 22631).

PART A

PLANS AND SPECIFICATIONS

The facilities, which consist of slopes, greenbelt areas and theme lighting, will be operated, serviced and maintained as generally described as follows:

Landscaping and Appurtenant Facilities

Facilities include but are not limited to: landscaping, planting, shrubbery, trees, irrigation systems, hardscapes, fixtures, sidewalk maintenance resulting from landscape growth and appurtenant facilities, in public street and sidewalk rights-of-way, including medians, parkways and dedicated easements within the boundaries of the Assessment District.

Lighting, Traffic Signals and Appurtenant Facilities

Facilities include but are not limited to: Poles, fixtures, bulbs, conduits, conductors, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide lighting and traffic signals in public street and sidewalk rights-of-way and dedicated easements within the boundaries of the Assessment District.

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the landscaping, public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the landscaping, public lighting facilities or appurtenant facilities; providing for the life, growth, health and beauty of the landscaping, including cultivation, irrigation, trimming, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris and other solid waste; and the cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

Servicing means the furnishing of water for the irrigation of the landscaping and the maintenance of any of the public lighting facilities or appurtenant facilities and the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or operation of the landscaping or appurtenant facilities.

The plans and specifications for the improvements, showing and describing the general nature, location, and the extent of the improvements, are on file in the office of the Director of Public Works and are incorporated herein by reference.

PART B ESTIMATE OF COST

The estimated cost of the operation, servicing and maintenance of the street and sidewalk improvements for Fiscal Year 2019-20, as described in Part A, are summarized herein and described below.

MAINTENANCE DISTRICT # 5 - ANNUAL COST FACTORS

| Acct # | Description | FY 19-20 Est. |
|-------------------------|--|------------------|
| 1. Fixed Costs | | Expenses |
| 4111 | Salaries & Benefits | \$14,656 |
| 4113 | Overtime | \$100 |
| 4243 | Engineering | \$0 |
| 4244 | Legal | \$0 |
| 4412 | Property Tax Collection | \$140 |
| | Fixed Costs Totals | \$14,896 |
| 2. ROUTINE COSTS | | |
| 4211 | Postage | \$55 |
| 4249 | Professional Svcs/Other | \$50,000 |
| 4261 | Svc & Repair Equipment | \$1,000 |
| 4266 | Contract Services/Grounds Maintenance | \$29,440 |
| 4269 | Bldg & Equip Svcs-Other | \$1,000 |
| 4282 | Electric | \$1,500 |
| 4285 | Water | \$28,325 |
| 4337 | Electrical Supplies & Parts | \$1,500 |
| 4339 | Construction & Maintenance | \$1,000 |
| 4441 | Miscellaneous Expense | \$300 |
| 5800 | Insurance and Other Expenses | \$1,346 |
| | Routine Costs Totals | \$115,466 |
| | Total Costs (Fixed & Routine) | \$130,362 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | FY 2019-20 Annual Assessments | \$100,147 |
| | Reserve Fund Requirement: | |
| | Operating Reserve – 50% (6 months)* | \$0 |
| | Capital Replacement Reserve** | |
| | Estimated Balance 1-July-2019 | \$66,040 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | Less planned capital expenditures | \$0 |
| | Estimated Fund Balance 30-Jun-2020 | \$35,825 |

*The Operating Reserve fund is being established for the District to cover the first six months of expenses annually before collection from the County has been received, as well as unexpected expenses. The funds will not exceed 50% of the anticipated annual expenditures, in anticipation of any maintenance costs that can and do occur during the year.

**The Capital Replacement Reserve fund is established to fund the replacement or refurbishment of components based on life expectancy and value of the improvements within the district. Based on the current fund balance, there are insufficient funds to cover the replacement expenses of the existing improvements.

The 1972 Act requires that a special fund be set up for the revenues and expenditures of the Districts. Funds raised by assessment shall be used only for the purpose as stated herein. A contribution to the Districts by the City may be made to reduce assessments, as the City Council deems appropriate. Any balance or deficit remaining on July 1 must be carried over to the next fiscal year.

PART C METHOD OF APPORTIONMENT OF ASSESSMENT

GENERAL

Part 2 of Division 15 of the Streets and Highways Code, the Landscaping and Lighting Act of 1972, permits the establishment of assessment districts by cities for the purpose of providing certain public improvements which include construction, operation, maintenance and servicing of street lights, traffic signals and landscaping.

Section 22573 of the Landscaping and Lighting Act of 1972 (the 1972 Act) requires that maintenance assessments be levied according to benefit rather than according to assessed value. This section states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

The 1972 Act permits the designation of zones of benefit within any individual assessment district if "by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements." (Sec. 22574). Thus, the 1972 Act requires the levy of a true "assessment" based on the actual benefit rather than a "special tax."

In addition, Proposition 218, the "Right to Vote on Taxes Act" which was approved on the November 1996 Statewide ballot and added Article XIID to the California Constitution, requires that a parcel's assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. XIID provides that only special benefits are assessable and the City must separate the general benefits from the special benefits. XIID also requires that publicly owned property which benefit from the improvements be assessed.

SPECIAL BENEFIT ANALYSIS

Street Landscaping, Slopes and Greenbelts. Trees, landscaping, hardscaping and appurtenant facilities, if well maintained, provide beautification, shade and enhancement of the desirability of the surroundings, and therefore increase property value.

In Parkways and Land Values, written by John Nolan and Henry V. Hubbard in 1937, it is stated:

"... there is no lack of opinion, based on general principals and experience and common sense, that parkways *do in fact add value* to property, even though the amount cannot be determined exactly.... Indeed, in most cases where public money has been spent for parkways the assumption has been definitely made that the proposed parkway will show a *provable* financial profit to the City. It has been believed that the establishment of parkways causes a rise in real estate values throughout the City, or in parts of the City,..."

It should be noted that the definition of "parkways" above may include the roadway as well as the landscaping along side the roadway.

The ongoing operation and maintenance of the street landscaping, slopes and greenways within the district, as identified in Part A of this Report, provide beautification to the areas that result in a special benefit to the parcels within the tracts adjacent to the improvements. If these landscaped areas were not properly maintained, the tract would be blighted.

Theme Lighting. Proper maintenance and operation of pedestrian and street lights benefit all properties within the District by providing security, safety and community character and vitality as outlined below. Streetlights provide only incidental benefits to motorists traveling to, from or through the area.

BENEFITS OF STREET LIGHTING

Security and Safety

- Mitigates crime
- Alleviates the fear of crime
- Enhances safe ingress/egress to property

Community Character and Vitality

- Promotes social interaction
 - Contributes to a positive nighttime visual image
-

ASSESSMENT METHODOLOGY

The parcels of land in the District are single family residential (SFR) lots, with each of these lots benefiting equally from the improvements being maintained. Therefore, the costs associated with the landscaping and lighting within and directly adjacent to the tract will be apportioned on a residential lot basis as follows:

$$\text{\$100,147} / 113 \text{ SFR's} = \text{\$886.26} / \text{SFR}$$

This assessment rate is not considered a maximum rate. This maximum assessment rate will be increased each year by the annual change in the Consumer Price Index (CPI), All Urban Consumers, for the Los Angeles, Riverside and Orange County areas. The actual assessments levied in any fiscal year will be as approved by the City Council and may not exceed the maximum assessment rate without receiving property owner approval for the increase. The calculation for the maximum assessment rate is provided in the table below. The increase in CPI for FY 2019-20 is 3.2%.

| Maximum Assessment Rate Calculation | | |
|-------------------------------------|--------------|--------------------|
| Fiscal Year | CPI Increase | Maximum Assessment |
| FY 2003-04 | | \$679.00 / SFR |
| FY 2004-05 | 1.8% | \$691.22 / SFR |
| FY 2005-06 | 4.4% | \$721.64 / SFR |
| FY 2006-07 | 4.5% | \$754.11 / SFR |
| FY 2007-08 | 4.3% | \$786.54 / SFR |
| FY 2008-09 | 3.3% | \$812.50 / SFR |
| FY 2009-10 | 3.5% | \$840.94 / SFR |
| FY 2010-11 | 0% | \$840.94 / SFR |
| FY 2011-12 | 1.2% | \$851.03 / SFR |
| FY 2012-13 | 2.7% | \$874.00 / SFR |
| FY 2013-14 | 2% | \$891.48 / SFR |
| FY 2014-15 | 1.1% | \$901.28 / SFR |
| FY 2015-16 | .7% | \$907.59 / SFR |
| FY 2016-17 | 2% | \$925.74 / SFR |
| FY 2017-18 | 1.9% | \$943.33 / SFR |
| FY 2018-19 | 2.8% | \$969.74 / SFR |
| FY 2019-20 | 3.2% | \$1,000.77 / SFR |

PART D ASSESSMENT ROLL

The amount of the total proposed assessment for Fiscal Year 2019-20 apportioned to each lot or parcel within the District, as shown on the latest assessment roll at the Orange County Assessor's Office, is contained in the Assessment Roll provided below.

The description of each lot or parcel is part of the Orange County assessment roll and this roll is, by reference, made part of this Report.

| AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt | AD # | APN | Lot | Tract | Asmt |
|------|----------|-----|-------|----------|------|----------|-----|-------|----------|------|----------|-----|-------|----------|
| 1 | 30604102 | 1 | 9111 | \$786.54 | 41 | 30604210 | 27 | 9473 | \$786.54 | 81 | 30605318 | 18 | 9414 | \$786.54 |
| 2 | 30604103 | 2 | 9111 | \$786.54 | 42 | 30604209 | 28 | 9473 | \$786.54 | 82 | 30605319 | 19 | 9414 | \$786.54 |
| 3 | 30604104 | 3 | 9111 | \$786.54 | 43 | 30604208 | 29 | 9473 | \$786.54 | 83 | 30605320 | 20 | 9414 | \$786.54 |
| 4 | 30604105 | 4 | 9111 | \$786.54 | 44 | 30604207 | 30 | 9473 | \$786.54 | 84 | 30605321 | 21 | 9414 | \$786.54 |
| 5 | 30604106 | 5 | 9111 | \$786.54 | 45 | 30604206 | 31 | 9473 | \$786.54 | 85 | 30605322 | 22 | 9414 | \$786.54 |
| 6 | 30604107 | 6 | 9111 | \$786.54 | 46 | 30604205 | 32 | 9473 | \$786.54 | 86 | 30605323 | 23 | 9414 | \$786.54 |
| 7 | 30604108 | 7 | 9111 | \$786.54 | 47 | 30604204 | 33 | 9473 | \$786.54 | 87 | 30605324 | 24 | 9414 | \$786.54 |
| 8 | 30604109 | 8 | 9111 | \$786.54 | 48 | 30604203 | 34 | 9473 | \$786.54 | 88 | 30605325 | 25 | 9414 | \$786.54 |
| 9 | 30604110 | 9 | 9111 | \$786.54 | 49 | 30604202 | 35 | 9473 | \$786.54 | 89 | 30605326 | 26 | 9414 | \$786.54 |
| 10 | 30604111 | 10 | 9111 | \$786.54 | 50 | 30604201 | 36 | 9473 | \$786.54 | 90 | 30605327 | 27 | 9414 | \$786.54 |
| 11 | 30604112 | 11 | 9111 | \$786.54 | 51 | 30604301 | 37 | 9473 | \$786.54 | 91 | 30605328 | 28 | 9414 | \$786.54 |
| 12 | 30604113 | 12 | 9111 | \$786.54 | 52 | 30604302 | 38 | 9473 | \$786.54 | 92 | 30605329 | 29 | 9414 | \$786.54 |
| 13 | 30604114 | 13 | 9111 | \$786.54 | 53 | 30604303 | 39 | 9473 | \$786.54 | 93 | 30605330 | 30 | 9414 | \$786.54 |
| 14 | 30604115 | 14 | 9111 | \$786.54 | 54 | 30604304 | 40 | 9473 | \$786.54 | 94 | 30605331 | 31 | 9414 | \$786.54 |
| 15 | 30604502 | 1 | 9473 | \$786.54 | 55 | 30604305 | 41 | 9473 | \$786.54 | 95 | 30605103 | 32 | 9414 | \$786.54 |
| 16 | 30604501 | 2 | 9473 | \$786.54 | 56 | 30604306 | 42 | 9473 | \$786.54 | 96 | 30605102 | 33 | 9414 | \$786.54 |
| 17 | 30604415 | 3 | 9473 | \$786.54 | 57 | 30604307 | 43 | 9473 | \$786.54 | 97 | 30605101 | 34 | 9414 | \$786.54 |
| 18 | 30604414 | 4 | 9473 | \$786.54 | 58 | 30604308 | 44 | 9473 | \$786.54 | 98 | 30605201 | 35 | 9414 | \$786.54 |
| 19 | 30604413 | 5 | 9473 | \$786.54 | 59 | 30604309 | 45 | 9473 | \$786.54 | 99 | 30605202 | 36 | 9414 | \$786.54 |
| 20 | 30604412 | 6 | 9473 | \$786.54 | 60 | 30604310 | 46 | 9473 | \$786.54 | 100 | 30605203 | 37 | 9414 | \$786.54 |
| 21 | 30604411 | 7 | 9473 | \$786.54 | 61 | 30604311 | 47 | 9473 | \$786.54 | 101 | 30605204 | 38 | 9414 | \$786.54 |
| 22 | 30604410 | 8 | 9473 | \$786.54 | 62 | 30604312 | 48 | 9473 | \$786.54 | 102 | 30605205 | 39 | 9414 | \$786.54 |
| 23 | 30604409 | 9 | 9473 | \$786.54 | 63 | 30604313 | 49 | 9473 | \$786.54 | 103 | 30605206 | 40 | 9414 | \$786.54 |
| 24 | 30604408 | 10 | 9473 | \$786.54 | 64 | 30605301 | 1 | 9414 | \$786.54 | 104 | 30605207 | 41 | 9414 | \$786.54 |
| 25 | 30604407 | 11 | 9473 | \$786.54 | 65 | 30605302 | 2 | 9414 | \$786.54 | 105 | 30605208 | 42 | 9414 | \$786.54 |
| 26 | 30604406 | 12 | 9473 | \$786.54 | 66 | 30605303 | 3 | 9414 | \$786.54 | 106 | 30605209 | 43 | 9414 | \$786.54 |
| 27 | 30604405 | 13 | 9473 | \$786.54 | 67 | 30605304 | 4 | 9414 | \$786.54 | 107 | 30605210 | 44 | 9414 | \$786.54 |
| 28 | 30604404 | 14 | 9473 | \$786.54 | 68 | 30605305 | 5 | 9414 | \$786.54 | 108 | 30605211 | 45 | 9414 | \$786.54 |
| 29 | 30604403 | 15 | 9473 | \$786.54 | 69 | 30605306 | 6 | 9414 | \$786.54 | 109 | 30605212 | 46 | 9414 | \$786.54 |
| 30 | 30604402 | 16 | 9473 | \$786.54 | 70 | 30605307 | 7 | 9414 | \$786.54 | 110 | 30605213 | 47 | 9414 | \$786.54 |
| 31 | 30604401 | 17 | 9473 | \$786.54 | 71 | 30605308 | 8 | 9414 | \$786.54 | 111 | 30605214 | 48 | 9414 | \$786.54 |
| 32 | 30604219 | 18 | 9473 | \$786.54 | 72 | 30605309 | 9 | 9414 | \$786.54 | 112 | 30605215 | 49 | 9414 | \$786.54 |
| 33 | 30604218 | 19 | 9473 | \$786.54 | 73 | 30605310 | 10 | 9414 | \$786.54 | 113 | 30605216 | 50 | 9414 | \$786.54 |
| 34 | 30604217 | 20 | 9473 | \$786.54 | 74 | 30605311 | 11 | 9414 | \$786.54 | | | | | |
| 35 | 30604216 | 21 | 9473 | \$786.54 | 75 | 30605312 | 12 | 9414 | \$786.54 | | | | | |
| 36 | 30604215 | 22 | 9473 | \$786.54 | 76 | 30605313 | 13 | 9414 | \$786.54 | | | | | |
| 37 | 30604214 | 23 | 9473 | \$786.54 | 77 | 30605314 | 14 | 9414 | \$786.54 | | | | | |
| 38 | 30604213 | 24 | 9473 | \$786.54 | 78 | 30605315 | 15 | 9414 | \$786.54 | | | | | |
| 39 | 30604212 | 25 | 9473 | \$786.54 | 79 | 30605316 | 16 | 9414 | \$786.54 | | | | | |
| 40 | 30604211 | 26 | 9473 | \$786.54 | 80 | 30605317 | 17 | 9414 | \$786.54 | | | | | |

PART E

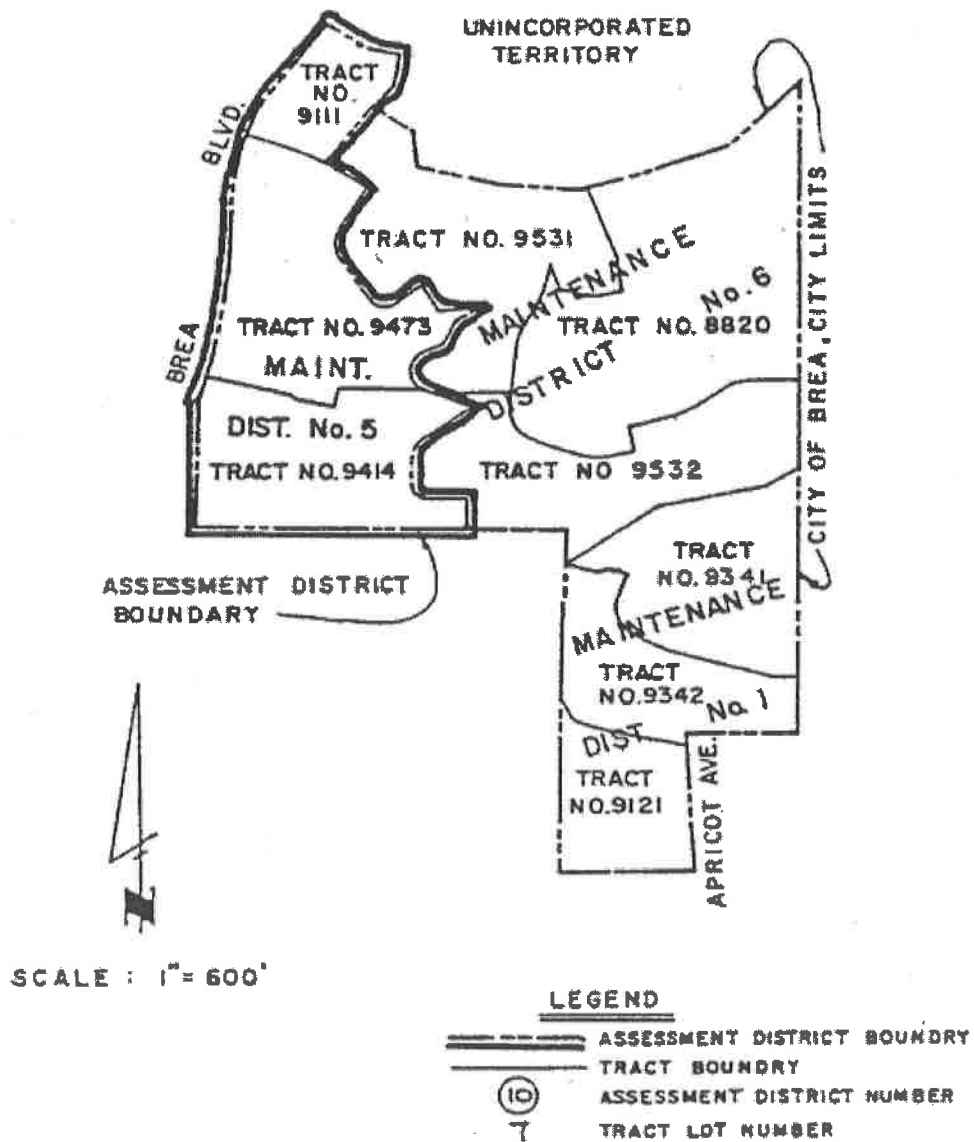
ASSESSMENT DISTRICTS' BOUNDARIES

A diagram of the boundaries of Landscape and Lighting Maintenance District No. 5 is included herein.

District No. 5 is generally located east of Brea Boulevard and north of State College Boulevard, and includes Tract Nos. 9111, 9414 and 9473.

District No. 5 includes all properties in the City of Brea located within the tract boundary of Tract No. 9111 recorded in Book 374, Pages 24, 25 and 26 of Tract No. 9414 recorded in Book 409, Pages 8 and 9, and of Tract No. 9473 recorded in Book 291, Pages 26, 27 and 28 all of Miscellaneous Maps, records of Orange County, California.

Also, the lines and dimensions of each lot or parcel within the Districts are those lines and dimensions shown on the maps of the Assessor of the County of Orange for Fiscal Year 2019-20. The Assessor's maps and records are incorporated by reference herein and made part of this report.

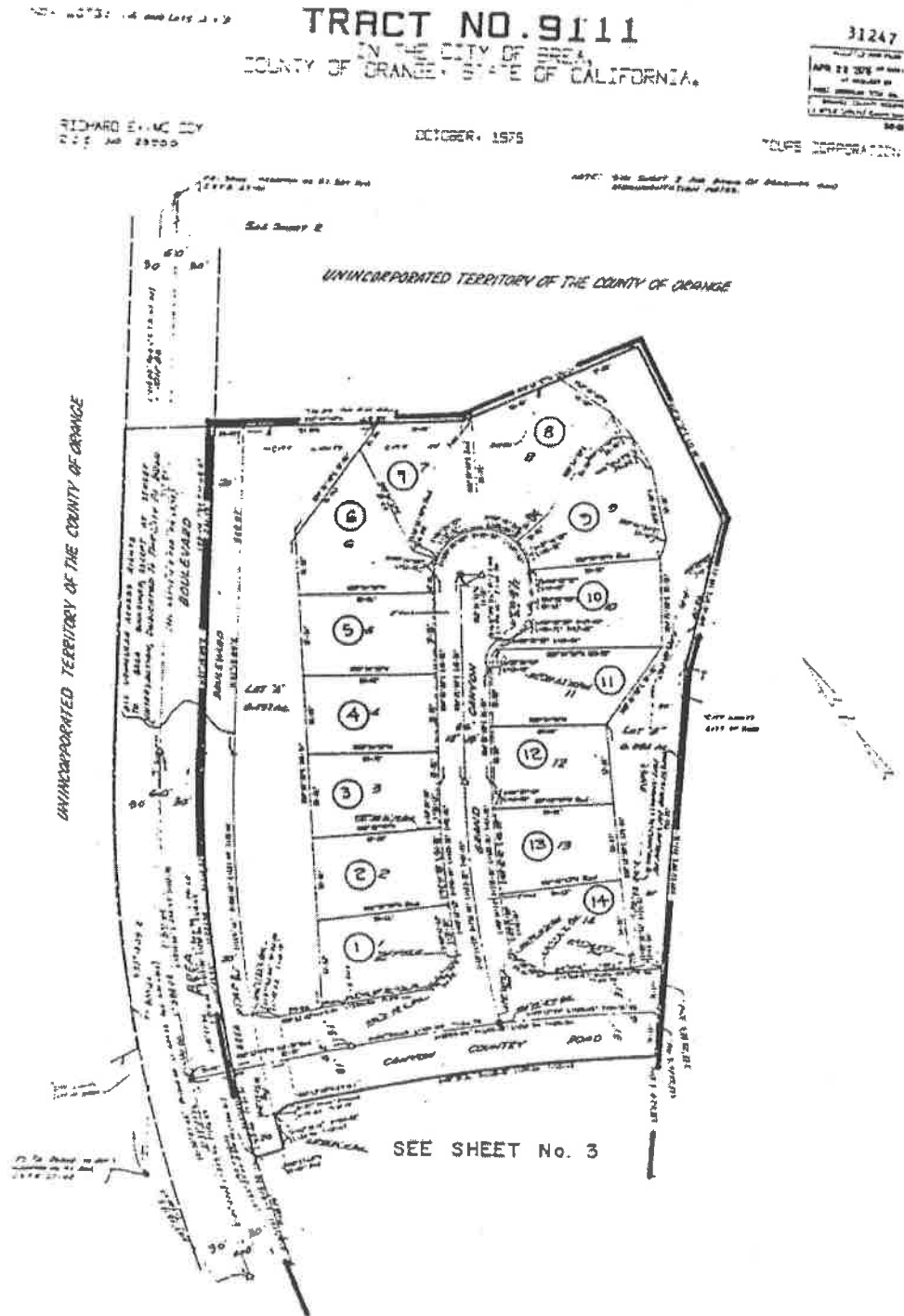


113 PARCELS

SHEET 1 OF

ASSESSMENT DIAGRAM
**LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 5**

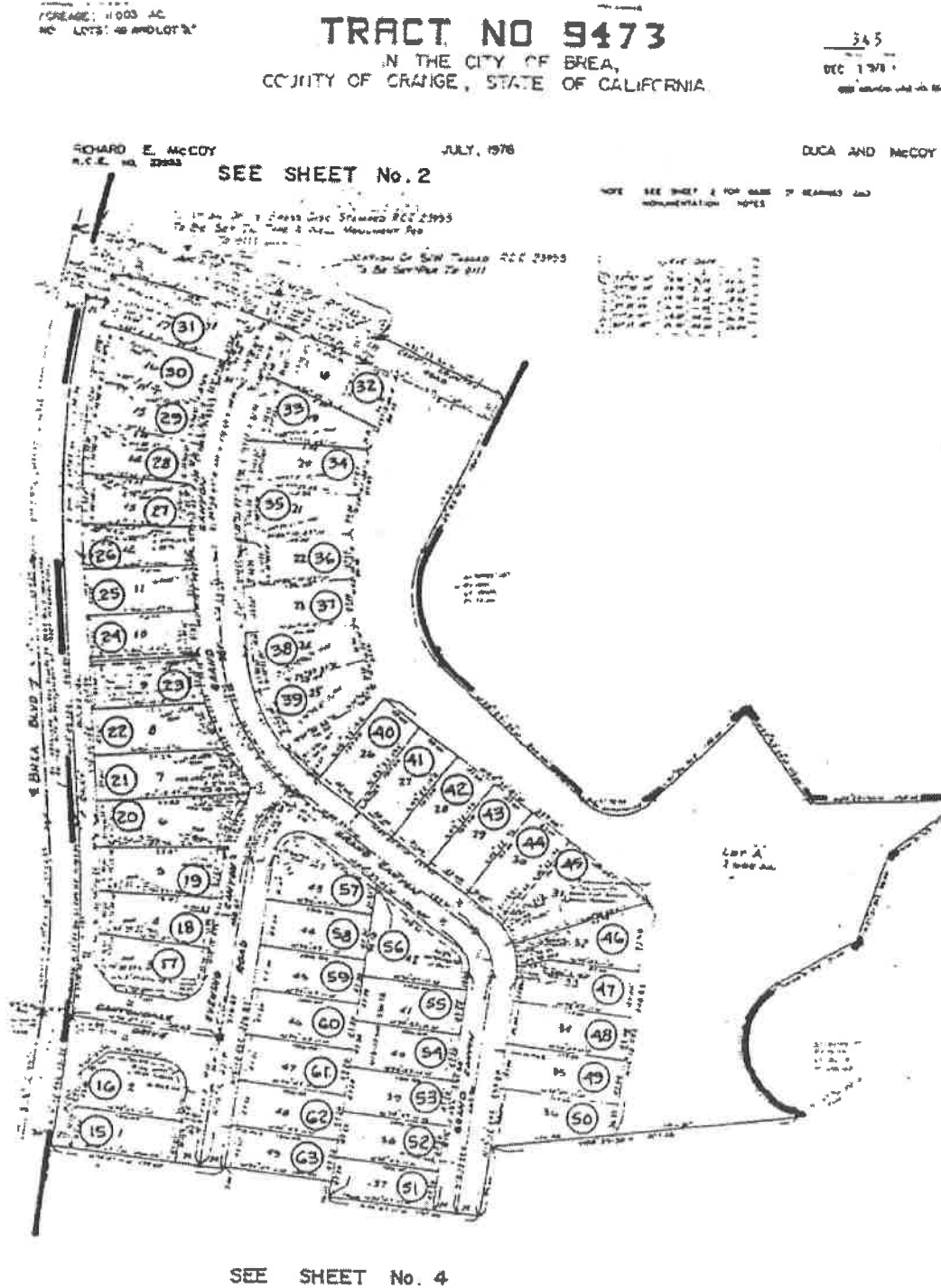
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA



113 PARCELS

SHEET 2 OF 4

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 5
IN THE CITY OF BREA, COUNTY OF ORANGE STATE OF CALIFORNIA

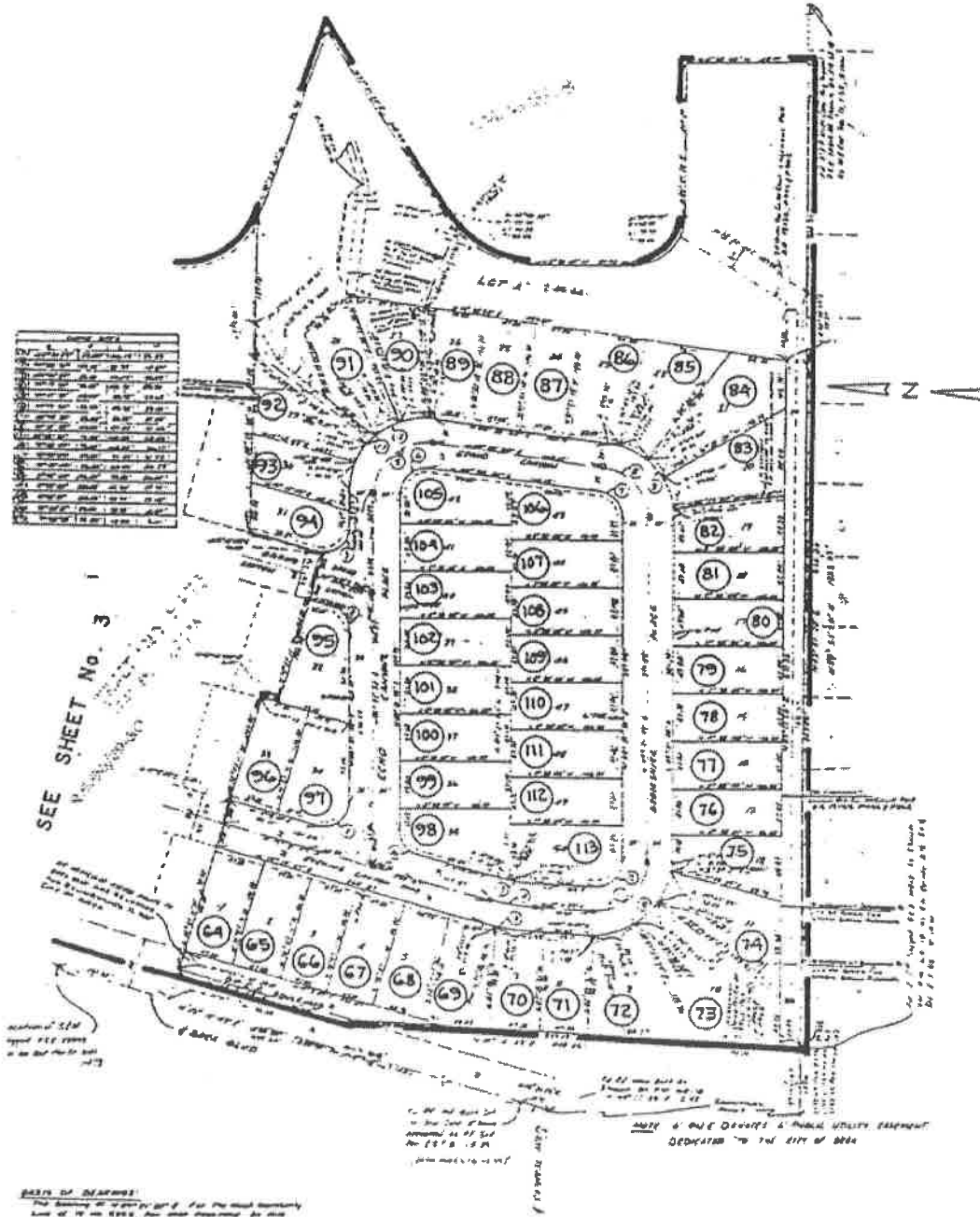


113 PARCELS

SHEET 3 OF 4

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 5
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

DELA AND MCCOY
DR. FREDERICK - PLANNING



SHEET 4 OF 4

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**Landscape and Lighting
Maintenance District
No. 6
City of Brea**

Prepared under the authority of the
Landscape and Lighting Act of 1972
Streets and Highways Code
State of California

Fiscal Year 2019-20

Submitted by:

Tony Olmos
Director of Public Works

April 16, 2019

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City of Brea

April 16, 2019

Honorable Mayor and City Council
City of Brea
1 Civic Center Circle
Brea, CA 92821-5732

Re: Engineer's Report, Landscape & Lighting Maintenance District No. 6

Transmitted herewith for your review and consideration is a report entitled, "Landscape and Lighting Maintenance District No. 6, City of Brea."

This report has been prepared in accordance with the Landscape and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code. The report includes all the requirements of the Landscape and Lighting Act of 1972 and the Streets and Highways Code, with particular reference to annual assessments after formation thereof of the District.

The report is submitted herewith for consideration at your next meeting to set a hearing date for the purpose of levying an annual assessment (Streets and Highways Code, Section 22620 to Section 22631).

Respectfully submitted,

Tony Olmos, Director
Public Works Department

s:\maintenance\maint districts\assessment 19-20\lmd6 1920.doc
City Council **Christine Marick** **Marty Simonoff**
Mayor *Mayor Pro Tem*

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

Introduction and Background

Introduction:

This report has been prepared and is submitted for consideration by the City Council of the City of Brea under the authority of the Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code.

Background:

On June 1, 1982 the City Council of the City of Brea adopted and approved Resolution No. 83-58 creating Landscape and Lighting Maintenance District No. 6 in the City of Brea.

The creating of Landscape and Lighting Maintenance District No. 6 in the City of Brea was a requirement of the City of Brea for the development of Tentative Tract No. 8820, known as the "Canyon Country" development project.

In FY 2005-06, the property owners submitted ballots and approved an increase in assessment rate. Included in that balloting was an annual CPI escalator that will allow the assessment rate to keep up with the cost of living. The annual escalator sets the maximum rate that the properties might be assessed.

The purpose of this report is to be utilized by the City Staff, the City Council, and the County Assessor in the levy and collection of an annual assessment after formation of an assessment district under the requirements of the Landscaping and Lighting Act of 1972 (State of California and Highways Code, Section 22620 to 22631).

PART A

PLANS AND SPECIFICATIONS

The facilities, which consist of slopes, greenbelt areas and theme lighting, will be operated, serviced and maintained as generally described as follows:

Landscaping and Appurtenant Facilities

Facilities include but are not limited to: landscaping, planting, shrubbery, trees, irrigation systems, hardscapes, fixtures, sidewalk maintenance resulting from landscape growth and appurtenant facilities, in public street and sidewalk rights-of-way, including medians, parkways and dedicated easements within the boundaries of the Assessment District.

Lighting, Traffic Signals and Appurtenant Facilities

Facilities include but are not limited to: Poles, fixtures, bulbs, conduits, conductors, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide lighting and traffic signals in public street and sidewalk rights-of-way and dedicated easements within the boundaries of the Assessment District.

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the landscaping, public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the landscaping, public lighting facilities or appurtenant facilities; providing for the life, growth, health and beauty of the landscaping, including cultivation, irrigation, trimming, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris and other solid waste; and the cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

Servicing means the furnishing of water for the irrigation of the landscaping and the maintenance of any of the public lighting facilities or appurtenant facilities and the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or operation of the landscaping or appurtenant facilities.

The plans and specifications for the improvements, showing and describing the general nature, location, and the extent of the improvements, are on file in the office of the Director of Public Works and are incorporated herein by reference.

PART B ESTIMATE OF COST

The estimated cost of the operation, servicing and maintenance of the street and sidewalk improvements for Fiscal Year 2019-20, as described in Part A, are summarized herein and described below.

MAINTENANCE DISTRICT # 6 - ANNUAL COST FACTORS

| Acct # | Description | FY 19-20 Est. |
|-------------------------|--|------------------|
| 1. Fixed Costs | | Expenses |
| 4111 | Salaries & Benefits | \$13,393 |
| 4113 | Overtime | \$100 |
| 4243 | Engineering | \$0 |
| 4244 | Legal | \$0 |
| 4412 | Property Tax Collection | \$440 |
| | Fixed Costs Totals | \$13,933 |
| 2. ROUTINE COSTS | | |
| 4211 | Postage | \$135 |
| 4249 | Professional Svcs/Other | \$25,000 |
| 4261 | Svc & Repair Equipment | \$5,000 |
| 4266 | Contract Services/Grounds Maintenance | \$79,660 |
| 4269 | Bldg & Equip Svcs-Other | \$2,000 |
| 4282 | Electric | \$4,500 |
| 4285 | Water | \$73,650 |
| 4335 | Plumbing Supplies & Parts | \$0 |
| 4337 | Electrical Supplies & Parts | \$250 |
| 4339 | Construction & Maintenance | \$1,000 |
| 4441 | Miscellaneous Expense | \$250 |
| 5800 | Insurance and Other Expenses | \$1,182 |
| | Routine Costs Totals | \$192,627 |
| | Total Costs (Fixed & Routine) | \$206,560 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | FY 2019-20 Annual Assessments | \$188,993 |
| | Reserve Fund Requirement: | |
| | Operating Reserve – 50% (6 months)* | \$0 |
| | Capital Replacement Reserve** | |
| | Estimated Balance 1-July-2019 | \$35,168 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | Less planned capital expenditures | \$0 |
| | Estimated Fund Balance 30-Jun-2020 | \$17,601 |

*The Operating Reserve fund is being established for the District to cover the first six months of expenses annually before collection from the County has been received, as well as unexpected expenses. The funds will not exceed 50% of the anticipated annual expenditures, in anticipation of any maintenance costs that can and do occur during the year.

**The Capital Replacement Reserve fund is established to fund the replacement or refurbishment of components based on life expectancy and value of the improvements within the district. Based on the current fund balance, there are insufficient funds to cover the replacement expenses of the existing improvements.

The 1972 Act requires that a special fund be set up for the revenues and expenditures of the Districts. Funds raised by assessment shall be used only for the purpose as stated herein. A contribution to the Districts by the City may be made to reduce assessments, as the City Council deems appropriate. Any balance or deficit remaining on July 1 must be carried over to the next fiscal year.

PART C METHOD OF APPORTIONMENT OF ASSESSMENT

GENERAL

Part 2 of Division 15 of the Streets and Highways Code, the Landscaping and Lighting Act of 1972, permits the establishment of assessment districts by cities for the purpose of providing certain public improvements which include construction, operation, maintenance and servicing of street lights, traffic signals and landscaping.

Section 22573 of the Landscaping and Lighting Act of 1972 (the 1972 Act) requires that maintenance assessments be levied according to benefit rather than according to assessed value. This section states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

The 1972 Act permits the designation of zones of benefit within any individual assessment district if "by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements." (Sec. 22574). Thus, the 1972 Act requires the levy of a true "assessment" based on the actual benefit rather than a "special tax."

ASSESSMENT METHODOLOGY

The parcels of land in the District are single family residential (SFR) lots, with each of these lots benefiting equally from the improvements being maintained. Therefore, the costs associated with the landscaping and lighting within and directly adjacent to the tract will be apportioned on a residential lot basis as follows:

$$\$188,993 / 135 \text{ SFR's} = \$1,399.95 / \text{SFR}$$

This assessment rate is not the maximum rate. The maximum assessment rate will be increased each year by the annual change in the Consumer Price Index (CPI), All Urban Consumers, for the Los Angeles, Riverside and Orange County areas. The actual assessments levied in any fiscal year will be as approved by the City Council and may not exceed the maximum assessment rate without receiving property owner approval for the increase. The calculation for the maximum assessment rate is provided in the table below. The increase in CPI for FY 2019-20 is 3.2%.

| Maximum Assessment Rate Calculation | | |
|-------------------------------------|--------------|--------------------|
| Fiscal Year | CPI Increase | Maximum Assessment |
| FY 2005-06 | | \$1350.00 / SFR |
| FY 2006-07 | 4.5% | \$1411.00 / SFR |
| FY 2007-08 | 4.3% | \$1472.00 / SFR |
| FY 2008-09 | 3.3% | \$1521.00 / SFR |
| FY 2009-10 | 3.5% | \$1574.24 / SFR |
| FY 2010-11 | 0% | \$1574.24 / SFR |
| FY 2011-12 | 1.2% | \$1593.13 / SFR |
| FY 2012-13 | 2.7% | \$1636.14 / SFR |
| FY 2013-14 | 2% | \$1668.86 / SFR |
| FY 2014-15 | 1.1% | \$1676.22 / SFR |
| FY 2015-16 | .7% | \$1687.95 / SFR |
| FY 2016-17 | 2% | \$1721.71 / SFR |
| FY 2017-18 | 1.9% | \$1754.42 / SFR |
| FY 2018-19 | 2.8% | \$1803.54 / SFR |
| FY 2019-20 | 3.2% | \$1861.25 / SFR |

PART D ASSESSMENT ROLL

The amount of the total proposed assessment for Fiscal Year 2019-20 apportioned to each lot or parcel within the District, as shown on the latest assessment roll at the Orange County Assessor's Office, is contained in the Assessment Roll provided below.

The description of each lot or parcel is part of the Orange County assessment roll and this roll is, by reference, made part of this Report.

| AD # | APN | Lot | Tract | Annual Asmt | AD # | APN | Lot | Tract | Annual Asmt |
|------|----------|-----|-------|----------------|------|----------|-----|-------|----------------|
| 1 | 30606101 | 1 | 9531 | \$1,350.00 | 39 | 30606232 | 39 | 9531 | \$1,350.00 |
| 2 | 30606102 | 2 | 9531 | \$1,350.00 | 40 | 30606231 | 40 | 9531 | \$1,350.00 |
| 3 | 30606103 | 3 | 9531 | \$1,350.00 | 41 | 30606230 | 41 | 9532 | \$1,350.00 |
| 4 | 30606104 | 4 | 9531 | \$1,350.00 | 42 | 30606229 | 42 | 9532 | \$1,350.00 |
| 5 | 30606105 | 5 | 9531 | \$1,350.00 | 43 | 30608102 | 43 | 9532 | \$1,350.00 |
| 6 | 30606106 | 6 | 9531 | \$1,350.00 | 44 | 30608103 | 44 | 9532 | \$1,350.00 |
| 7 | 30606107 | 7 | 9531 | \$1,350.00 | 45 | 30608104 | 45 | 9532 | \$1,350.00 |
| 8 | 30606201 | 8 | 9531 | \$1,350.00 | 46 | 30608105 | 46 | 9532 | \$1,350.00 |
| 9 | 30606202 | 9 | 9531 | \$1,350.00 | 47 | 30608106 | 47 | 9532 | \$1,350.00 |
| 10 | 30606203 | 10 | 9531 | \$1,350.00 | 48 | 30608107 | 48 | 9532 | \$1,350.00 |
| 11 | 30606205 | 11 | 9531 | \$1,350.00 | 49 | 60608108 | 49 | 9532 | \$1,350.00 |
| 12 | 30606206 | 12 | 9531 | \$1,350.00 | 50 | 30608110 | 50 | 9532 | \$1,350.00 |
| 13 | 30606207 | 13 | 9531 | \$1,350.00 | 51 | 30608111 | 51 | 9532 | \$1,350.00 |
| 14 | 30606208 | 14 | 9531 | \$1,350.00 | 52 | 30608112 | 52 | 9532 | \$1,350.00 |
| 15 | 30606209 | 15 | 9531 | \$1,350.00 | 53 | 30608113 | 53 | 9532 | \$1,350.00 |
| 16 | 30606211 | 16 | 9531 | \$1,350.00 | 54 | 30608114 | 54 | 9532 | \$1,350.00 |
| 17 | 30606213 | 17 | 9531 | \$1,350.00 | 55 | 30608115 | 55 | 9532 | \$1,350.00 |
| 18 | 30606214 | 18 | 9531 | \$1,350.00 | 56 | 30608116 | 56 | 9532 | \$1,350.00 |
| 19 | 30606215 | 19 | 9531 | \$1,350.00 | 57 | 30608117 | 57 | 9532 | \$1,350.00 |
| 20 | 30603236 | 20 | 9531 | \$1,350.00 | 58 | 30608118 | 58 | 9532 | \$1,350.00 |
| 21 | 30606235 | 21 | 9531 | \$1,350.00 | 59 | 30608129 | 59 | 9532 | \$1,350.00 |
| 22 | 30606218 | 22 | 9531 | \$1,350.00 | 60 | 30608128 | 60 | 9532 | \$1,350.00 |
| 23 | 30603220 | 23 | 9531 | \$1,350.00 | 61 | 30608121 | 61 | 9532 | \$1,350.00 |
| 24 | 30603221 | 24 | 9531 | \$1,350.00 | 62 | 30608122 | 62 | 9532 | \$1,350.00 |
| 25 | 30603222 | 25 | 9531 | \$1,350.00 | 63 | 30608221 | 63 | 9532 | \$1,350.00 |
| 26 | 30603223 | 26 | 9531 | \$1,350.00 | 64 | 30608220 | 64 | 9532 | \$1,350.00 |
| 27 | 30603224 | 27 | 9531 | \$1,350.00 | 65 | 30608219 | 65 | 9532 | \$1,350.00 |
| 28 | 30606307 | 28 | 9531 | \$1,350.00 | 66 | 30608218 | 66 | 9532 | \$1,350.00 |
| 29 | 30606308 | 29 | 9531 | \$1,350.00 | 67 | 30608217 | 67 | 9532 | \$1,350.00 |
| 30 | 30606303 | 30 | 9531 | \$1,350.00 | 68 | 30608216 | 68 | 9532 | \$1,350.00 |
| 31 | 30606304 | 31 | 9531 | \$1,350.00 | 69 | 30608215 | 69 | 9532 | \$1,350.00 |
| 32 | 30606305 | 32 | 9531 | \$1,350.00 | 70 | 30608214 | 70 | 9532 | \$1,350.00 |
| 33 | 30606306 | 33 | 9531 | \$1,350.00 | 71 | 30608213 | 71 | 9532 | \$1,350.00 |
| 34 | 30603225 | 34 | 9531 | \$1,350.00 | 72 | 30608212 | 72 | 9532 | \$1,350.00 |
| 35 | 30606226 | 35 | 9531 | \$1,350.00 | 73 | 30608211 | 73 | 9532 | \$1,350.00 |
| 36 | 30606227 | 36 | 9531 | \$1,350.00 | 74 | 30608210 | 74 | 9532 | \$1,350.00 |
| 37 | 30606234 | 37 | 9531 | \$1,350.00 | 75 | 30608209 | 75 | 9532 | \$1,350.00 |
| 38 | 30606233 | 38 | 9531 | \$1,350.00 | 76 | 30608208 | 76 | 9532 | \$1,350.00 |

| AD # | APN | Lot | Tract | Annual Asmt | AD # | APN | Lot | Tract | Annual Asmt |
|------|----------|-----|-------|----------------|------|----------|-----|-------|----------------|
| 77 | 30608227 | 77 | 9532 | \$1,350.00 | 107 | 30607324 | 107 | 8820 | \$1,350.00 |
| 78 | 30608226 | 78 | 9532 | \$1,350.00 | 108 | 30607204 | 108 | 8820 | \$1,350.00 |
| 79 | 30608225 | 79 | 9532 | \$1,350.00 | 109 | 30607203 | 109 | 8820 | \$1,350.00 |
| 80 | 30608224 | 80 | 9532 | \$1,350.00 | 110 | 30607202 | 110 | 8820 | \$1,350.00 |
| 81 | 30608223 | 81 | 9532 | \$1,350.00 | 111 | 30607201 | 111 | 8820 | \$1,350.00 |
| 82 | 30608202 | 82 | 9532 | \$1,350.00 | 112 | 30607205 | 112 | 8820 | \$1,350.00 |
| 83 | 30608201 | 83 | 9532 | \$1,350.00 | 113 | 30607206 | 113 | 8820 | \$1,350.00 |
| 84 | 30607301 | 84 | 8820 | \$1,350.00 | 114 | 30607207 | 114 | 8820 | \$1,350.00 |
| 85 | 30607302 | 85 | 8820 | \$1,350.00 | 115 | 30607208 | 115 | 8820 | \$1,350.00 |
| 86 | 30607332 | 86 | 8820 | \$1,350.00 | 116 | 30607209 | 116 | 8820 | \$1,350.00 |
| 87 | 30607304 | 87 | 8820 | \$1,350.00 | 117 | 30607210 | 117 | 8820 | \$1,350.00 |
| 88 | 30607305 | 88 | 8820 | \$1,350.00 | 118 | 30607211 | 118 | 8820 | \$1,350.00 |
| 89 | 30607306 | 89 | 8820 | \$1,350.00 | 119 | 30607212 | 119 | 8820 | \$1,350.00 |
| 90 | 30607307 | 90 | 8820 | \$1,350.00 | 120 | 30607213 | 120 | 8820 | \$1,350.00 |
| 91 | 30607308 | 91 | 8820 | \$1,350.00 | 121 | 30607325 | 121 | 8820 | \$1,350.00 |
| 92 | 30607309 | 92 | 8820 | \$1,350.00 | 122 | 30607326 | 122 | 8820 | \$1,350.00 |
| 93 | 30607333 | 93 | 8820 | \$1,350.00 | 123 | 30607327 | 123 | 8820 | \$1,350.00 |
| 94 | 30607311 | 94 | 8820 | \$1,350.00 | 124 | 30607328 | 124 | 8820 | \$1,350.00 |
| 95 | 30607312 | 95 | 8820 | \$1,350.00 | 125 | 30607329 | 125 | 8820 | \$1,350.00 |
| 96 | 30607334 | 96 | 8820 | \$1,350.00 | 126 | 30607330 | 126 | 8820 | \$1,350.00 |
| 97 | 30607335 | 97 | 8820 | \$1,350.00 | 127 | 30607110 | 127 | 8820 | \$1,350.00 |
| 98 | 30607336 | 98 | 8820 | \$1,350.00 | 128 | 30607109 | 128 | 8820 | \$1,350.00 |
| 99 | 30607316 | 99 | 8820 | \$1,350.00 | 129 | 30607108 | 129 | 8820 | \$1,350.00 |
| 100 | 30607317 | 100 | 8820 | \$1,350.00 | 130 | 30607107 | 130 | 8820 | \$1,350.00 |
| 101 | 30607318 | 101 | 8820 | \$1,350.00 | 131 | 30607106 | 131 | 8820 | \$1,350.00 |
| 102 | 30607319 | 102 | 8820 | \$1,350.00 | 132 | 30607105 | 132 | 8820 | \$1,350.00 |
| 103 | 30607320 | 103 | 8820 | \$1,350.00 | 133 | 30607104 | 133 | 8820 | \$1,350.00 |
| 104 | 30607321 | 104 | 8820 | \$1,350.00 | 134 | 30607103 | 134 | 8820 | \$1,350.00 |
| 105 | 30607322 | 105 | 8820 | \$1,350.00 | 135 | 30607102 | 135 | 8820 | \$1,350.00 |
| 106 | 30607323 | 106 | 8820 | \$1,350.00 | | | | | |

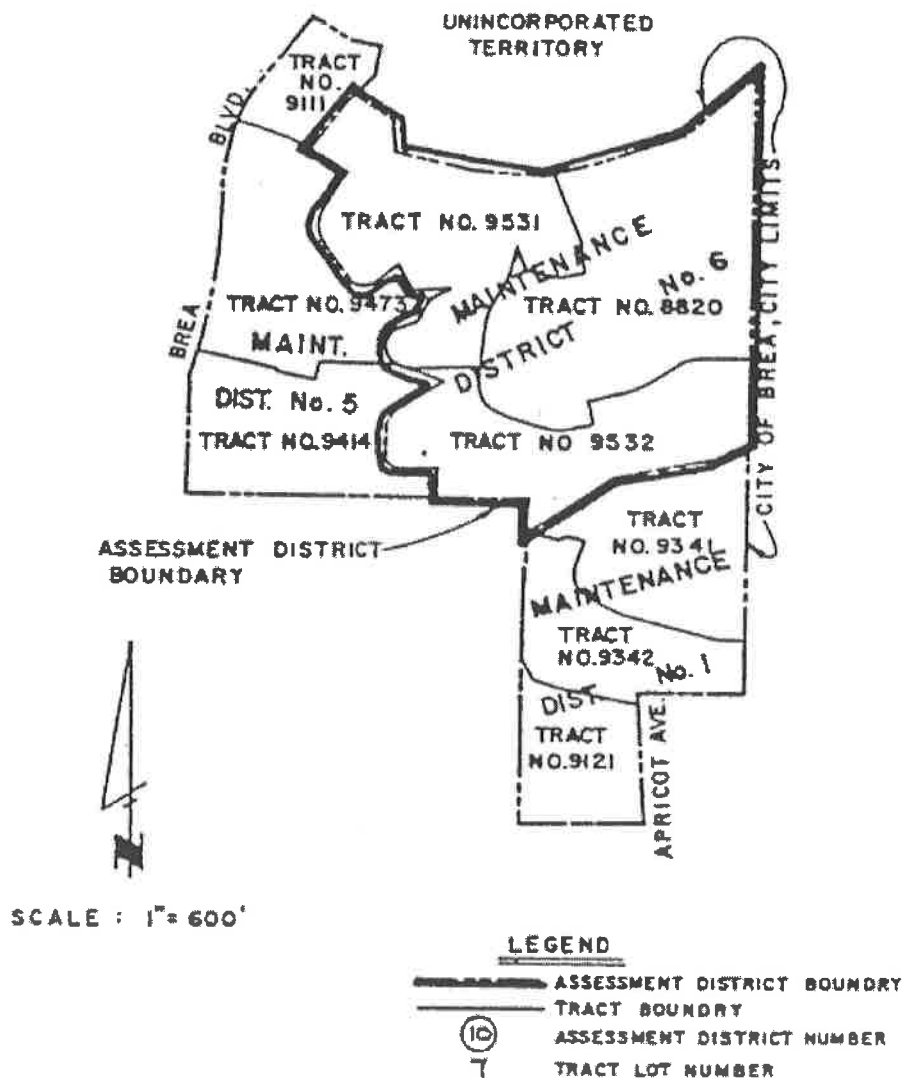
PART E

ASSESSMENT DISTRICTS' BOUNDARIES

A diagram of the boundaries of Landscape and Lighting Maintenance District No. 6 is included herein.

District No. 6 includes all the properties in the City of Brea located within the tract boundary of Tract No. 8820, recorded in Book 454, Pages 19 through 24 inclusive, Tract No. 9531 recorded in Book 423, Pages 24 through 28 inclusive, and Tract No. 9532 recorded in Book 454, Pages 25 through 28, all of Miscellaneous Maps, records of Orange County, California.

Also, the lines and dimensions of each lot or parcel within the Districts are those lines and dimensions shown on the maps of the Assessor of the County of Orange for Fiscal Year 2019-20. The Assessor's maps and records are incorporated by reference herein and made part of this report.



135 PARCELS

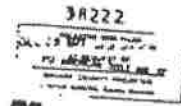
SHEET 1 OF 10

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 6
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

SCALE: 1" = 60'
AS SHOWN: 11/1/19
NO. OF LOTS: 42 AND LOTS 4, 10, 11, 12

DUPLICATE

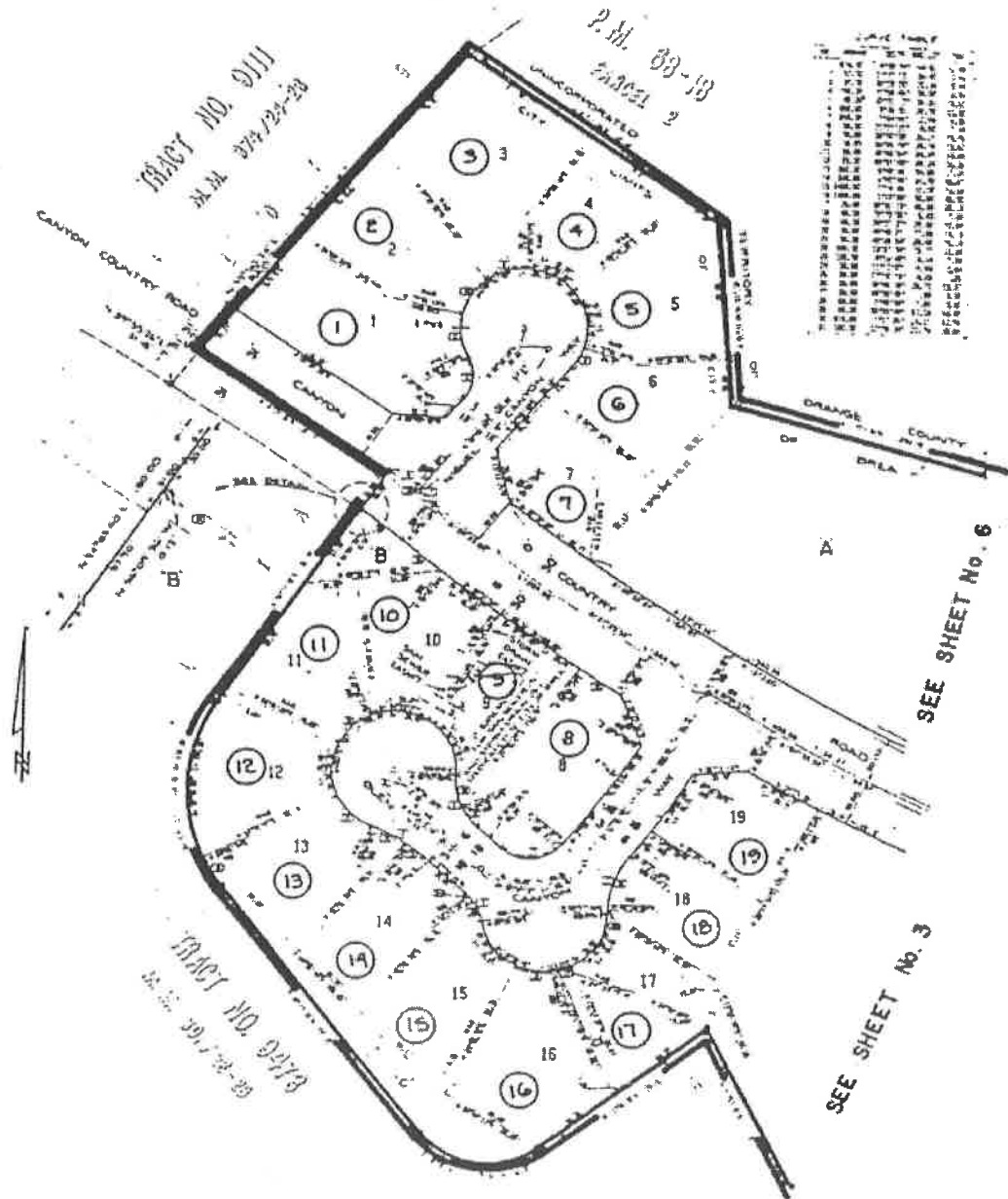
TRACT NO. 9531
IN THE CITY OF BREA
COUNTY OF ORANGE, STATE OF CALIFORNIA



STANLEY C. MORSE, L.S. 34222

JUNE, 1977

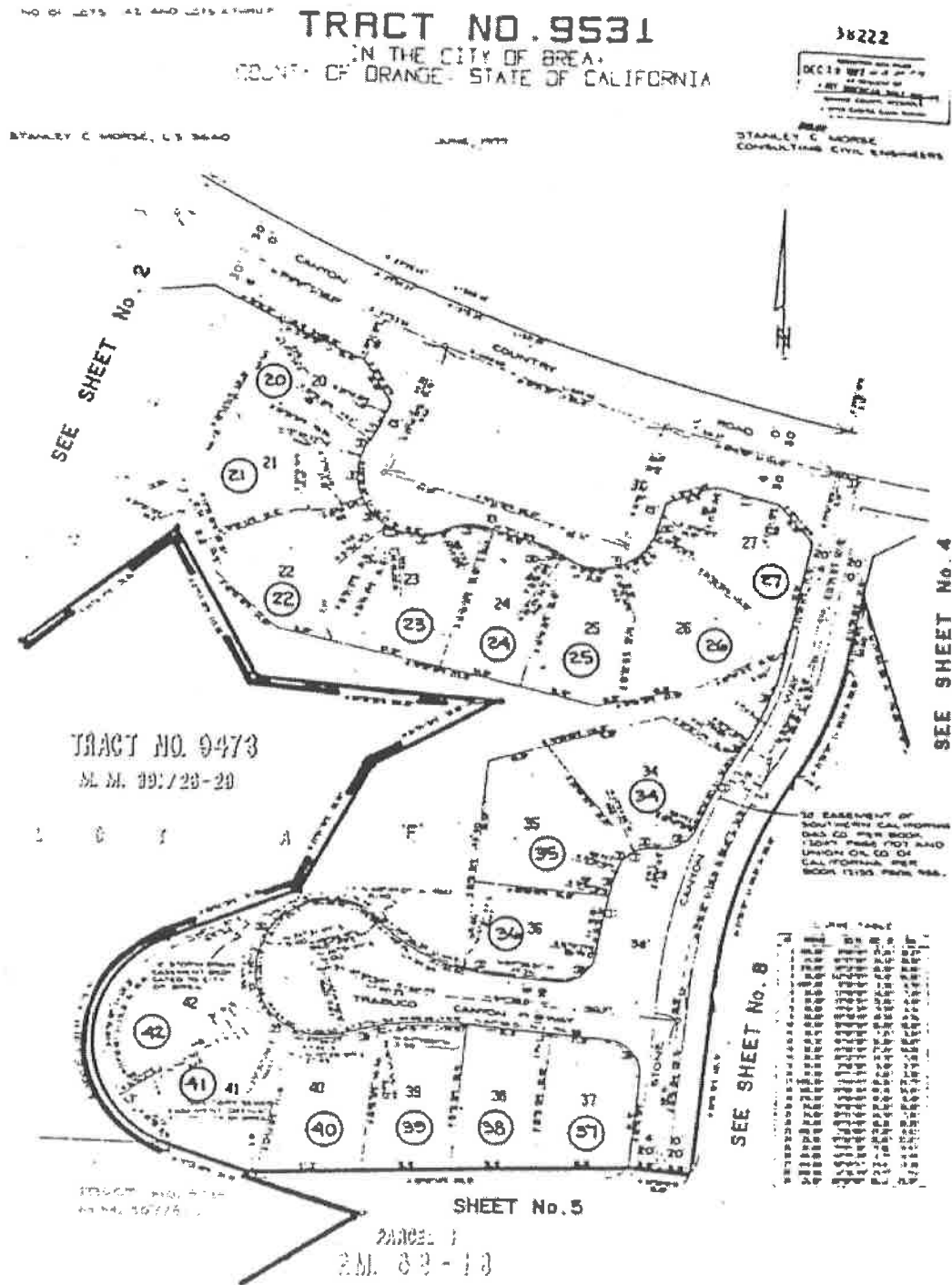
STANLEY C. MORSE
CONSULTING CIVIL ENGINEER, INC.



135 PARCELS

SHEET 2 OF 10

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 6
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA



135 PARCELS

SHEET 3 OF 10

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 6
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

SCALE: 1"=80'
ACRAGE: 13.592
NO. OF LOTS: 42 AND LOTS A-F

TRACT NO. 9531
IN THE CITY OF BREA,
COUNTY OF ORANGE, STATE OF CALIFORNIA

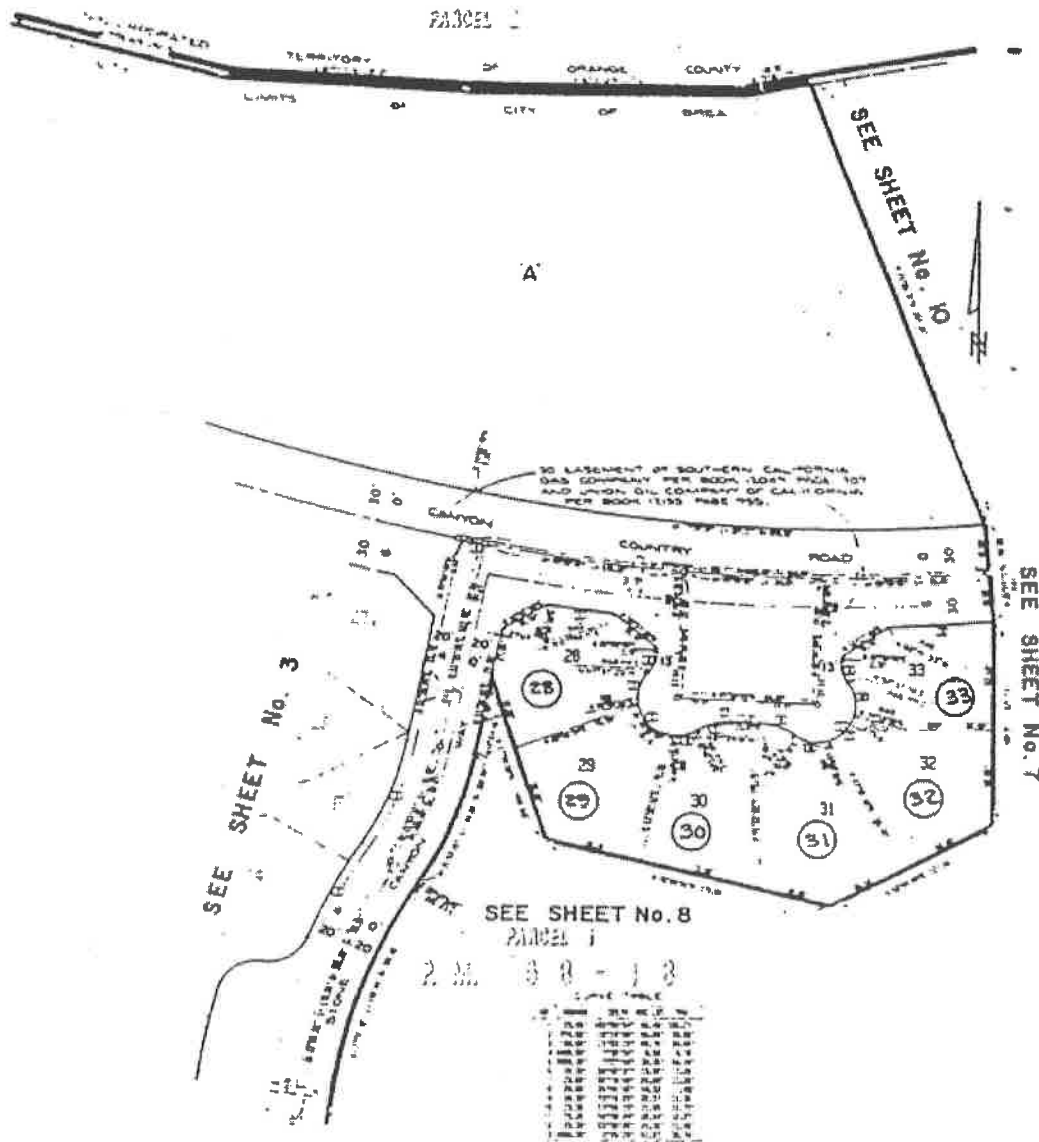


JUNE, 1977

STANLEY C. MORSE
CONSULTING CIVIL ENGINEERS INC.

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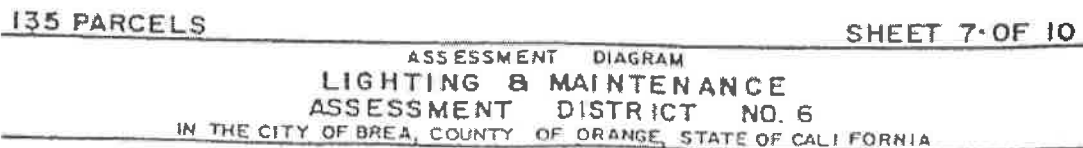
PARCEL 1



135. PARCELS

SHEET 4 OF 10

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 6



SCALE: 1" = 100'
ACREAGE: 18,033
NO. OF LOTS: 52, AND LOTS
A THRU C
FINAL MAP OF TENTATIVE
TRACT NO. 8820

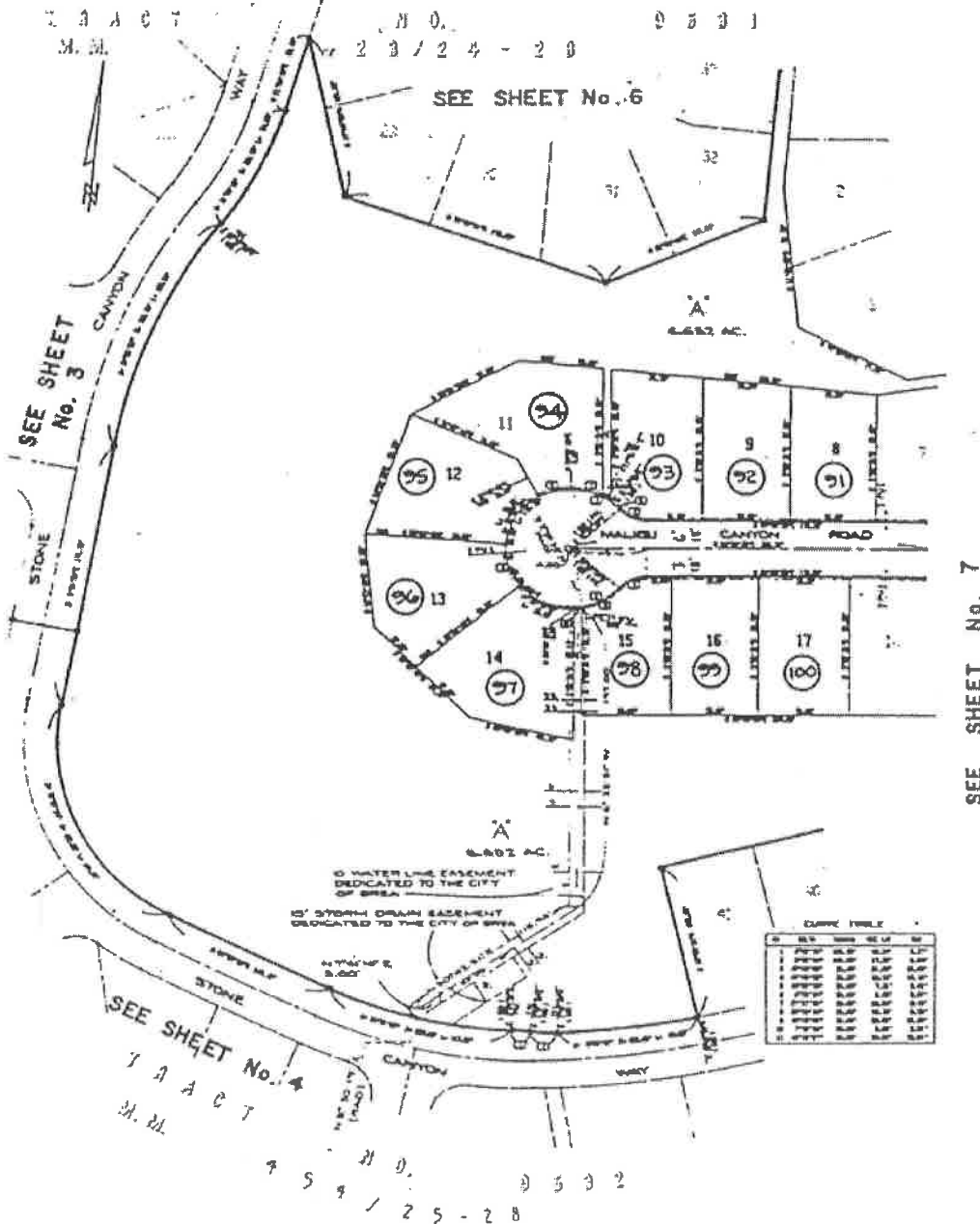
DUPLICATE
TRACT NO. 8820
IN THE CITY OF BREA,
COUNTY OF ORANGE, STATE OF CALIFORNIA.



STANLEY C. MORSE, L.S. 3640

AUGUST, 1971

STANLEY C. MORSE
CONSULTING CIVIL ENGINEER, INC.



135 PARCELS

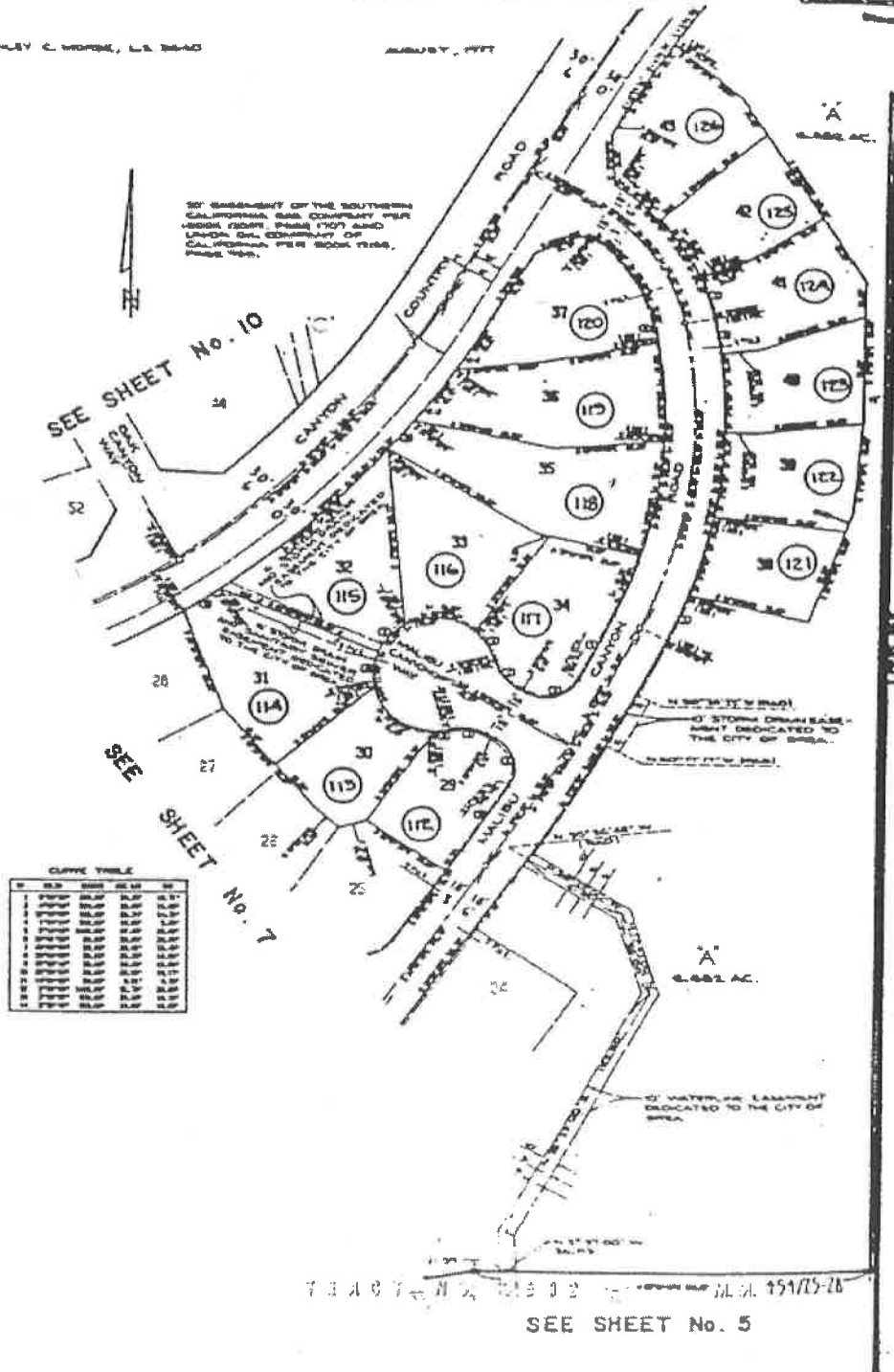
SHEET 8 OF 10

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 6
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

TRACT NO. 8820
IN THE CITY OF BREA,
COUNTY OF ORANGE, STATE OF CALIFORNIA.

STANLEY C. WOODS, L.S. 2840

AUGUST, 1977



ALTERNATE: 18.020
NO. OF LOTS: 52 AND LOTS
A, B, C
FINAL UNIT OF TERRITORY
TRACT NO. 8820
STANLEY C. MOORE, S.E.

TRACT NO. 8820
IN THE CITY OF BREA,
COUNTY OF ORANGE, STATE OF CALIFORNIA.

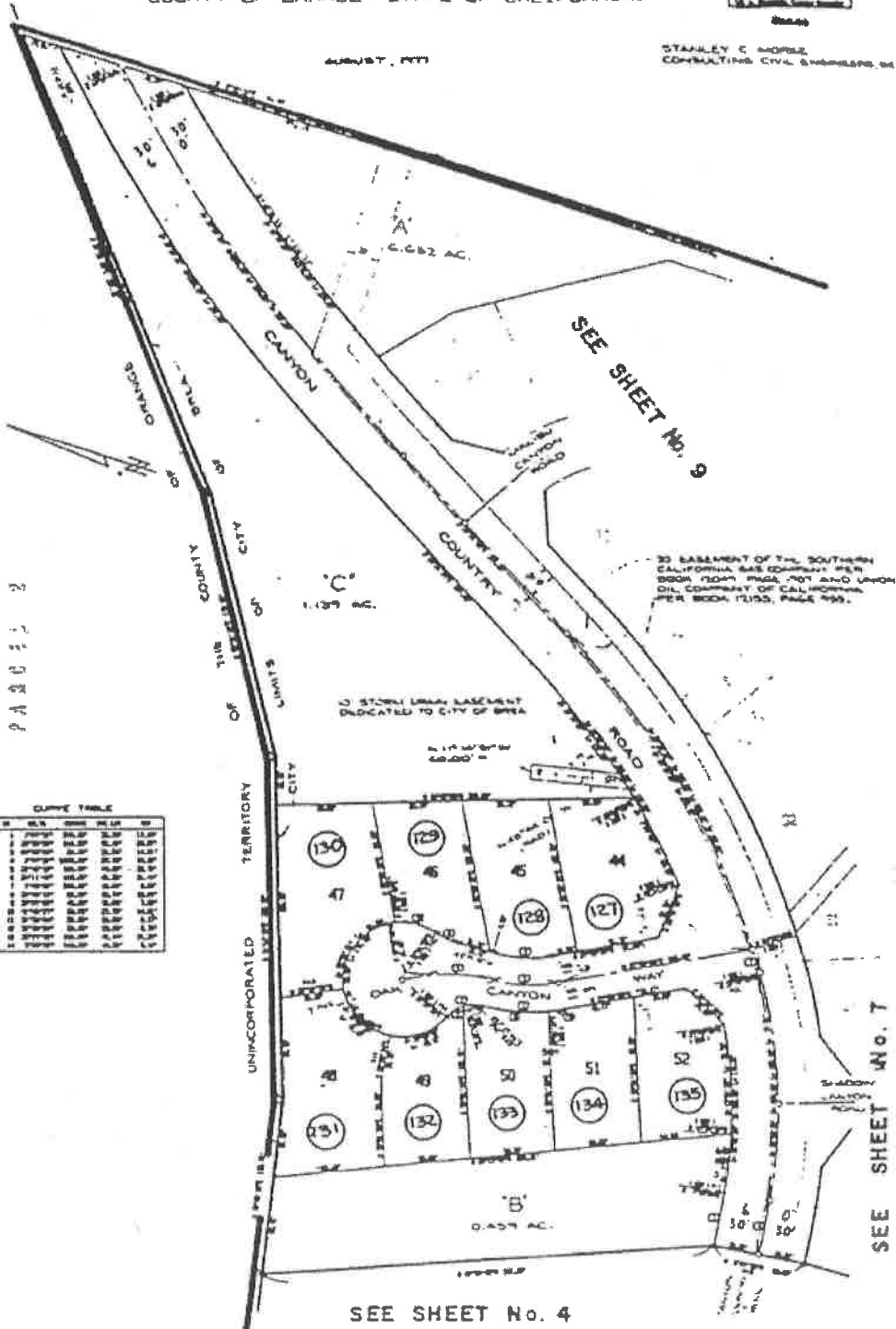


STANLEY C. MOORE
CONSULTING CIVIL ENGINEER, S.E.

P.M. 08/18

PAGE 2

| CUTTING TABLE | | | |
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| 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 |
| 25 | 26 | 27 | 28 |
| 29 | 30 | 31 | 32 |
| 33 | 34 | 35 | 36 |
| 37 | 38 | 39 | 40 |
| 41 | 42 | 43 | 44 |
| 45 | 46 | 47 | 48 |
| 49 | 50 | 51 | 52 |



135 PARCELS

SHEET 10 OF 10

ASSESSMENT DIAGRAM
LIGHTING & MAINTENANCE
ASSESSMENT DISTRICT NO. 6
IN THE CITY OF BREA, COUNTY OF ORANGE, STATE OF CALIFORNIA

**Landscape and Lighting
Maintenance District
No. 7**

City of Brea

Prepared under the authority of the
Landscape and Lighting Act of 1972
Streets and Highways Code
State of California

Fiscal Year 2019-20

Submitted by:

**Tony Olmos
Director of Public Works**

April 16, 2019

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City of Brea

April 16, 2019

Honorable Mayor and City Council
City of Brea
1 Civic Center Circle
Brea, CA 92821-5732

Re: Engineer's Report, Landscape & Lighting Maintenance District No. 7

Transmitted herewith for your review and consideration is a report entitled, "Landscape and Lighting Maintenance District No. 7, City of Brea."

This report has been prepared in accordance with the Landscape and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code. The report includes all the requirements of the Landscape and Lighting Act of 1972 and the Streets and Highways Code, with particular reference to annual assessments after formation thereof of the District.

The report is submitted herewith for consideration at your next meeting to set a hearing date for the purpose of levying an annual assessment (Streets and Highways Code, Section 22620 to Section 22631).

Respectfully submitted,

Tony Olmos, Director
Public Works Department

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City Council **Christine Marick** **Marty Simonoff**
Mayor *Mayor Pro Tem*

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

Introduction and Background

Introduction:

This report has been prepared and is submitted for consideration by the City Council of the City of Brea under the authority of the Landscaping and Lighting Act of 1972 as set forth in Part 2 of Division 15 of the California Streets and Highways Code.

Background:

On August 1, 1995 the City Council of the City of Brea adopted and approved Resolution No. 95-85 creating Landscape and Lighting Maintenance District No. 7 in the City of Brea.

The creating of Landscape and Lighting Maintenance District No. 7 in the City of Brea was a requirement of the City of Brea for the development of Tract Nos. 14658, 14657, 15670 and 14656.

The formation of the district and the levy of the first annual assessment was completed in accordance with the requirements of the Landscaping and Lighting Act of 1972 on August 1, 1995.

In FY 2007-08, the property owners submitted ballots and approved an increase in assessment rate. Included in that balloting was an annual CPI escalator that will allow the assessment rate to keep up with the cost of living. The annual escalator sets the maximum rate that the properties might be assessed.

The purpose of this report is to be utilized by the City Staff, the City Council, and the County Assessor in the levy and collection of an annual assessment after formation of an assessment district under the requirements of the Landscaping and Lighting Act of 1972 (State of California and Highways Code, Section 22620 to 22631).

PART A PLANS AND SPECIFICATIONS

The facilities, which consist of slopes and greenbelt areas and theme lighting, will be operated, serviced and maintained as generally described as follows:

Landscaping and Appurtenant Facilities

Facilities include but are not limited to: landscaping, planting, shrubbery, trees, irrigation systems, hardscapes, fixtures, sidewalk maintenance resulting from landscape growth and appurtenant facilities, in public street and sidewalk rights-of-way, including medians, parkways and dedicated easements within the boundaries of the Assessment District.

Lighting, Traffic Signals and Appurtenant Facilities

Facilities include but are not limited to: Poles, fixtures, bulbs, conduits, conductors, equipment including guys, anchors, posts and pedestals, metering devices and appurtenant facilities as required to provide lighting and traffic signals in public street and sidewalk rights-of-way and dedicated easements within the boundaries of the Assessment District.

Maintenance means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the landscaping, public lighting facilities and appurtenant facilities, including repair, removal or replacement of all or part of any of the landscaping, public lighting facilities or appurtenant facilities; providing for the life, growth, health and beauty of the landscaping, including cultivation, irrigation, trimming, spraying, fertilizing and treating for disease or injury; the removal of trimmings, rubbish, debris and other solid waste; and the cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

Servicing means the furnishing of water for the irrigation of the landscaping and the maintenance of any of the public lighting facilities or appurtenant facilities and the furnishing of electric current or energy, gas or other illuminating agent for the public lighting facilities, or for the lighting or operation of the landscaping or appurtenant facilities.

The plans and specifications for the improvements, showing and describing the general nature, location, and the extent of the improvements, are on file in the office of the Director of Public Works and are incorporated herein by reference.

PART B ESTIMATE OF COST

The estimated cost of the operation, servicing and maintenance of the street and sidewalk improvements for Fiscal Year 2019-20, as described in Part A, are summarized herein and described below.

MAINTENANCE DISTRICT # 7 - ANNUAL COST FACTORS

| Acct # | Description | FY 19-20 Est. |
|-------------------------|--|-----------------|
| 1. Fixed Costs | | Expenses |
| 4111 | Salaries & Benefits | \$5,333 |
| 4113 | Overtime | \$100 |
| 4243 | Engineering | \$0 |
| 4244 | Legal | \$0 |
| 4412 | Property Tax Collection | \$103 |
| | Fixed Costs Totals | \$5,536 |
| 2. ROUTINE COSTS | | |
| 4211 | Postage | \$45 |
| 4249 | Professional Svs/Other | \$3,000 |
| 4266 | Contract Services/Grounds Maintenance | \$12,975 |
| 4269 | Bldg and Equipment Service | \$100 |
| 4285 | Water | \$8,250 |
| 4339 | Construction & Maintenance | \$0 |
| 5800 | Insurance and Other Expenses | \$536 |
| | Routine Costs Totals | \$24,906 |
| | Total Costs (Fixed & Routine) | \$30,442 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | FY 2019-20 Annual Assessments | \$28,425 |
| | Reserve Fund Requirement: | |
| | Operating Reserve – 50% (6 months)* | \$0 |
| | Capital Replacement Reserve** | |
| | Estimated Balance 1-July-2019 | \$5,998 |
| | Contribution to Capital Replacement Reserve | \$0 |
| | Less planned capital expenditures | \$0 |
| | Estimated Fund Balance 30-Jun-2020 | \$3,981 |

*The Operating Reserve fund is being established for the District to cover the first six months of expenses annually before collection from the County has been received, as well as unexpected expenses. The funds will not exceed 50% of the anticipated annual expenditures, in anticipation of any maintenance costs that can and do occur during the year.

**The Capital Replacement Reserve fund is established to fund the replacement or refurbishment of components based on life expectancy and value of the improvements within the district. Based on the current fund balance, there are insufficient funds to cover the replacement expenses of the existing improvements.

The 1972 Act requires that a special fund be set up for the revenues and expenditures of the Districts. Funds raised by assessment shall be used only for the purpose as stated herein. A contribution to the Districts by the City may be made to reduce assessments, as the City Council deems appropriate. Any balance or deficit remaining on July 1 must be carried over to the next fiscal year.

PART C METHOD OF APPORTIONMENT OF ASSESSMENT

GENERAL

Part 2 of Division 15 of the Streets and Highways Code, the Landscaping and Lighting Act of 1972, permits the establishment of assessment districts by cities for the purpose of providing certain public improvements which include construction, operation, maintenance and servicing of street lights, traffic signals and landscaping.

Section 22573 of the Landscaping and Lighting Act of 1972 (the 1972 Act) requires that maintenance assessments be levied according to benefit rather than according to assessed value. This section states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

The 1972 Act permits the designation of zones of benefit within any individual assessment district if "by reason of variations in the nature, location, and extent of the improvements, the various areas will receive different degrees of benefit from the improvements." (Sec. 22574). Thus, the 1972 Act requires the levy of a true "assessment" based on the actual benefit rather than a "special tax."

ASSESSMENT METHODOLOGY

The parcels of land in the District are single family residential (SFR) lots, with each of these lots benefiting equally from the improvements being maintained. Therefore, the costs associated with the landscaping and lighting within and directly adjacent to the tract will be apportioned on a residential lot basis as follows:

$$\$28,425 / 96 \text{ SFR's} = \$296.09 / \text{SFR}$$

This assessment rate is the maximum rate. The maximum assessment rate will be increased each year by the annual change in the Consumer Price Index (CPI), All Urban Consumers, for the Los Angeles, Riverside and Orange County areas. The actual assessments levied in any fiscal year will be as approved by the City Council and may not exceed the maximum assessment rate without receiving property owner approval for the increase. The calculation for the maximum assessment rate is provided in the table below. The increase in CPI for FY 2019-20 is 3.2%.

| Maximum Assessment Rate Calculation | | |
|-------------------------------------|--------------|--------------------|
| Fiscal Year | CPI Increase | Maximum Assessment |
| FY 2007-08 | | \$245.00 / SFR |
| FY 2008-09 | 3.3% | \$253.05 / SFR |
| FY 2009-10 | 3.5% | \$261.91 / SFR |
| FY 2010-11 | 0% | \$261.91 / SFR |
| FY 2011-12 | 1.2% | \$265.05 / SFR |
| FY 2012-13 | 2.7% | \$272.21 / SFR |
| FY 2013-14 | 2% | \$277.65 / SFR |
| FY 2014-15 | 1.1% | \$280.70 / SFR |
| FY 2015-16 | .7% | \$282.66 / SFR |
| FY 2016-17 | 2% | \$288.31 / SFR |
| FY 2017-18 | 1.9% | \$293.79 / SFR |
| FY 2018-19 | 2.8% | \$302.02 / SFR |
| FY 2019-20 | 3.2% | \$311.68 / SFR |

PART D ASSESSMENT ROLL

The amount of the total proposed assessment for Fiscal Year 2019-20 apportioned to each lot or parcel within the District, as shown on the latest assessment roll at the Orange County Assessor's Office, is contained in the Assessment Roll provided below.

The description of each lot or parcel is part of the Orange County assessment roll and this roll is, by reference, made part of this Report.

| AD# | APN | Lot | Tract | Asmt | AD# | APN | Lot | Tract | Asmt |
|-----|----------|-----|-------|----------|-----|----------|-----|-------|----------|
| 1 | 29646113 | 1 | 14658 | \$253.05 | 39 | 29643133 | 18 | 14657 | \$253.05 |
| 2 | 29643114 | 2 | 14658 | \$253.05 | 40 | 29633150 | 1 | 15070 | \$253.05 |
| 3 | 29643115 | 3 | 14658 | \$253.05 | 41 | 29633149 | 2 | 15070 | \$253.05 |
| 4 | 29643116 | 4 | 14658 | \$253.05 | 42 | 29633148 | 3 | 15070 | \$253.05 |
| 5 | 29643117 | 5 | 14658 | \$253.05 | 43 | 29633147 | 4 | 15070 | \$253.05 |
| 6 | 29643118 | 6 | 14658 | \$253.05 | 44 | 29633146 | 5 | 15070 | \$253.05 |
| 7 | 29643119 | 7 | 14658 | \$253.05 | 45 | 29633145 | 6 | 15070 | \$253.05 |
| 8 | 29643120 | 8 | 14658 | \$253.05 | 46 | 29633144 | 7 | 15070 | \$253.05 |
| 9 | 29643121 | 9 | 14658 | \$253.05 | 47 | 29643143 | 8 | 15070 | \$253.05 |
| 10 | 29643101 | 10 | 14658 | \$253.05 | 48 | 29633141 | 9 | 15070 | \$253.05 |
| 11 | 29643102 | 11 | 14658 | \$253.05 | 49 | 29633140 | 10 | 15070 | \$253.05 |
| 12 | 29643103 | 12 | 14658 | \$253.05 | 50 | 29633139 | 11 | 15070 | \$253.05 |
| 13 | 29643104 | 13 | 14658 | \$253.05 | 51 | 29633138 | 12 | 15070 | \$253.05 |
| 14 | 29643105 | 14 | 14658 | \$253.05 | 52 | 29633137 | 13 | 15070 | \$253.05 |
| 15 | 29643106 | 15 | 14658 | \$253.05 | 53 | 29633134 | 14 | 15070 | \$253.05 |
| 16 | 29643107 | 16 | 14658 | \$253.05 | 54 | 29633133 | 15 | 14657 | \$253.05 |
| 17 | 29643108 | 17 | 14658 | \$253.05 | 55 | 29633132 | 16 | 14657 | \$253.05 |
| 18 | 29643109 | 18 | 14658 | \$253.05 | 56 | 29633131 | 17 | 14657 | \$253.05 |
| 19 | 29643110 | 19 | 14658 | \$253.05 | 57 | 29633130 | 18 | 14657 | \$253.05 |
| 20 | 29643111 | 20 | 14658 | \$253.05 | 58 | 29633129 | 19 | 14657 | \$253.05 |
| 21 | 29643112 | 21 | 14658 | \$253.05 | 59 | 29633128 | 20 | 14657 | \$253.05 |
| 22 | 29643134 | 1 | 14657 | \$253.05 | 60 | 29633126 | 21 | 14657 | \$253.05 |
| 23 | 29643135 | 2 | 14657 | \$253.05 | 61 | 29633125 | 22 | 14657 | \$253.05 |
| 24 | 29643136 | 3 | 14657 | \$253.05 | 62 | 29633124 | 23 | 14657 | \$253.05 |
| 25 | 29643137 | 4 | 14657 | \$253.05 | 63 | 29633123 | 24 | 14657 | \$253.05 |
| 26 | 29643138 | 5 | 14657 | \$253.05 | 64 | 29633122 | 25 | 14657 | \$253.05 |
| 27 | 29643139 | 6 | 14657 | \$253.05 | 65 | 29633121 | 26 | 14657 | \$253.05 |
| 28 | 29643140 | 7 | 14657 | \$253.05 | 66 | 29633120 | 27 | 14657 | \$253.05 |
| 29 | 29643141 | 8 | 14657 | \$253.05 | 67 | 29644104 | 1 | 14656 | \$253.05 |
| 30 | 29643142 | 9 | 14657 | \$253.05 | 68 | 29644105 | 2 | 14656 | \$253.05 |
| 31 | 29643143 | 10 | 14657 | \$253.05 | 69 | 29644106 | 3 | 14656 | \$253.05 |
| 32 | 29643126 | 11 | 14657 | \$253.05 | 70 | 29644107 | 44 | 14656 | \$253.05 |
| 33 | 29643127 | 12 | 14657 | \$253.05 | 71 | 29644108 | 5 | 14656 | \$253.05 |
| 34 | 29643128 | 13 | 14657 | \$253.05 | 72 | 29644109 | 6 | 14656 | \$253.05 |
| 35 | 29643129 | 14 | 14657 | \$253.05 | 73 | 29644110 | 7 | 14656 | \$253.05 |
| 36 | 29643130 | 15 | 14657 | \$253.05 | 74 | 29644111 | 8 | 14656 | \$253.05 |

| 37 | 29643131 | 16 | 14657 | \$253.05 | 75 | 29644112 | 9 | 14656 | \$253.05 |
|-----|----------|-----|-------|----------|----|----------|----|-------|----------|
| 38 | 29643132 | 17 | 14657 | \$253.05 | 76 | 29644113 | 10 | 14656 | \$253.05 |
| AD# | APN | Lot | Tract | Asmt | | | | | |
| 77 | 29644114 | 11 | 14656 | \$253.05 | | | | | |
| 78 | 29644115 | 12 | 14656 | \$253.05 | | | | | |
| 79 | 29644116 | 13 | 14656 | \$253.05 | | | | | |
| 80 | 29644117 | 14 | 14656 | \$253.05 | | | | | |
| 81 | 29644118 | 15 | 14656 | \$253.05 | | | | | |
| 82 | 29644119 | 16 | 14656 | \$253.05 | | | | | |
| 83 | 29644120 | 17 | 14656 | \$253.05 | | | | | |
| 84 | 29644121 | 18 | 14656 | \$253.05 | | | | | |
| 85 | 29644122 | 19 | 14656 | \$253.05 | | | | | |
| 86 | 29644123 | 20 | 14656 | \$253.05 | | | | | |
| 87 | 29644124 | 21 | 14656 | \$253.05 | | | | | |
| 88 | 29644125 | 22 | 14656 | \$253.05 | | | | | |
| 89 | 29644126 | 23 | 14656 | \$253.05 | | | | | |
| 90 | 29644127 | 24 | 14656 | \$253.05 | | | | | |
| 91 | 29644128 | 25 | 14656 | \$253.05 | | | | | |
| 92 | 29644129 | 26 | 14656 | \$253.05 | | | | | |
| 93 | 29644130 | 27 | 14656 | \$253.05 | | | | | |
| 94 | 29644101 | 28 | 14656 | \$253.05 | | | | | |
| 95 | 29644102 | 29 | 14656 | \$253.05 | | | | | |
| 96 | 29644103 | 30 | 14656 | \$253.05 | | | | | |

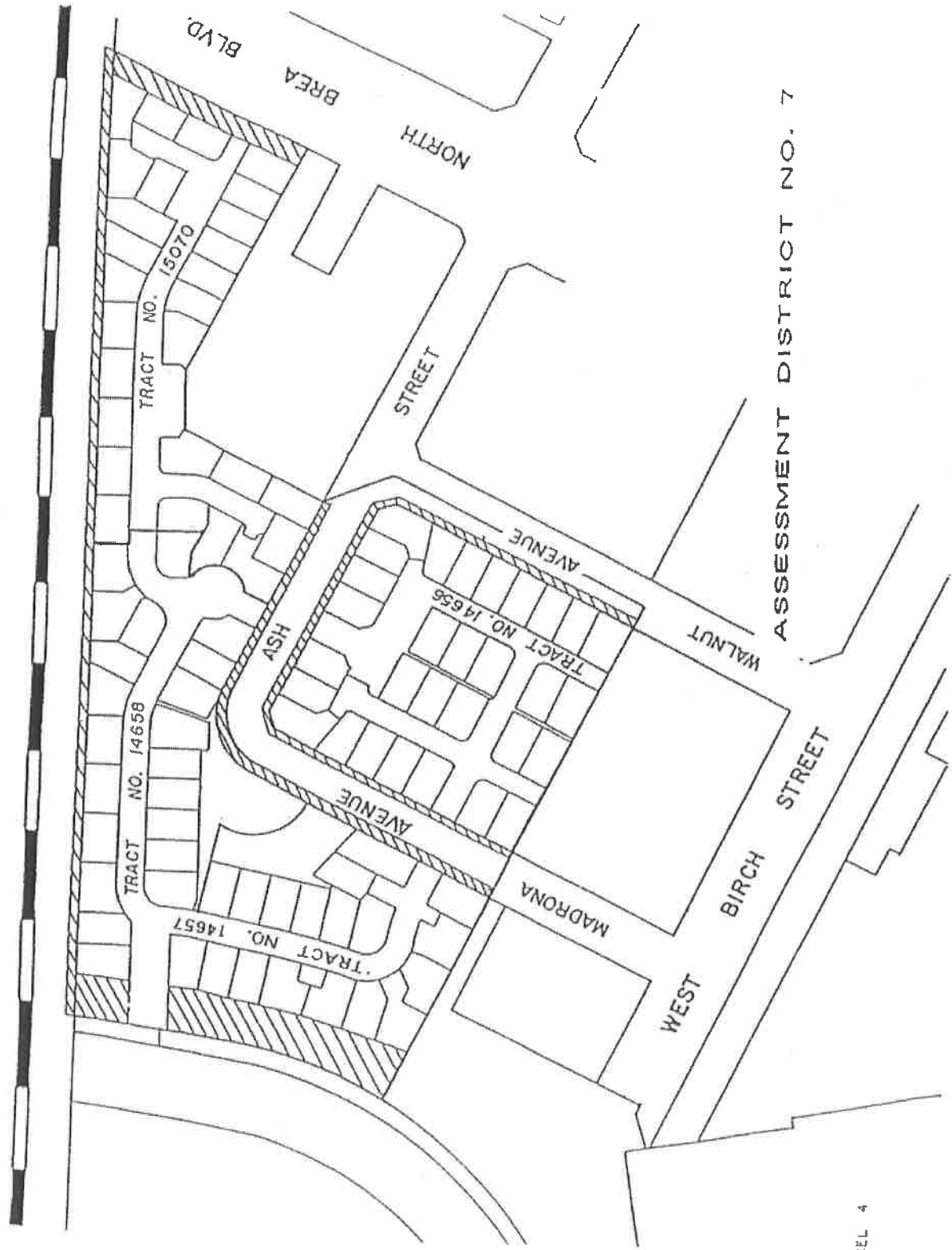
PART E

ASSESSMENT DISTRICTS' BOUNDARIES

A diagram of the boundaries of Landscape and Lighting Maintenance District No. 7 is included herein.

District No. 7 includes all properties in the City of Brea located within the tract boundary of Tract No. 14658 recorded in Book 724, Pages 9 through 11, of Tract No. 14657 recorded in Book 733, Pages 15, 16, and 17, and of Tract Nos. 15070 and 14656 of Miscellaneous Maps, records of Orange County, California.

Also, the lines and dimensions of each lot or parcel within the Districts are those lines and dimensions shown on the maps of the Assessor of the County of Orange for Fiscal Year 2019-20. The Assessor's maps and records are incorporated by reference herein and made part of this report.



EL 4

City of Brea

FINANCE COMMITTEE COMMUNICATION

TO: Finance Committee Members

FROM: Bill Gallardo

DATE: 04/09/2019

SUBJECT: Comprehensive Annual Financial Report for the City of Brea for Fiscal Year Ended June 30, 2018

RECOMMENDATION

Receive and file the City's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2018, which includes the independent auditor's unmodified opinion.

BACKGROUND/DISCUSSION

The City's independent auditor, Vavrinek, Trine, Day & Co., LLP (VTD), has completed its audit of the City's financial statements for Fiscal Year ended June 30, 2018. VTD has issued an unmodified opinion on the City's CAFR, which means the City's financial statements are free of material misstatements; are in accordance with Generally Accepted Accounting Principles; and fairly present both the financial position and the results of operations for the year ended June 30, 2018. In addition, included are the Audit Communication Letter and Management Letter, both dated March 8, 2019.

Statement on Auditing Standards (SAS) 114 Report (Audit Communication Letter).

Statement on Auditing Standards (SAS) 114 was issued by the American Institute of Certified Public Accountants (AICPA) to establish a two-way communication between the independent auditors and those charged with governance (i.e. City Council). SAS 114 requires that the City's auditor communicate, either orally or in writing, certain information to an audit committee or another designated party that performs oversight of the financial reporting and auditing process. The City's Finance Committee has been identified by the City Council to receive and review the report of the annual audit from the City's independent auditor and to review and make recommendations to the City Council to receive and file the report. The Audit Communication Letter did not identify any disagreements with management.

The Audit Communication Letter identified difficulties in completing the audit due to clarifications and additional information requested by the auditor and the auditor's time to review the information provided. The additional information requested by the auditor was mostly related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Other Post Employment Benefits (GASB 75); information supporting non-recurring events such as debt refundings and details supporting the recording of a significant amount of dedicated capital assets for Blackstone and La Floresta developments as outlined in the City's Management Letter discussed further in this report.

Certain items detected during the audit were identified in the City's Management Letter and have been addressed by management. The auditors recommended further review of the processes related to Financial Reporting and Closing procedures. The other recommendation was to formalize policies and procedures and update our Capital Asset Policy related to Developer Contributions (dedicated capital assets from developments).

Financial Highlights

As described in Management's Discussion and Analysis (MD&A) and Notes 1 and 10 to the financial statements, the City implemented GASB 75, which requires reporting the liabilities. Although the situation surrounding the City's other post employment benefits has not changed, the way in which they are accounted for and reported in the financial statements has changed based on the new GASB statement. The net impact on the City's net position as of June 30, 2018 now reports post employment benefits liability of \$26 million.

The City's net position (assets and deferred outflows of resources less liabilities and deferred inflows) increased by \$31 million, from \$228 million to \$259 million as of June 30, 2018. The increase in the City's net position was due to a \$51 million increase from the results of current operations and a \$20 million decrease due to the restatement of net position by implementing Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions, effective July 1, 2017. The City's capital assets represent \$316 million of the \$464 million total assets. The City's long-term (non-current) liabilities of \$210 million primarily include \$151 million in net pension and other post employment benefit liabilities and \$59 million of outstanding bonds and capital leases (which was used to fund capital improvements and finance the acquisition of capital assets).

As of June 30, 2018, the General Fund's ending fund balance includes a reserve of \$7.3 million for funds deposited in the City's pension rate stabilization program with Public Agency Retirement System (PARS). This fund was set up to reduce the future unfunded pension liability and current and future retirement costs. As it relates to the City's net position, this amount is now included in the unrestricted net position of the City's Governmental Activities to align with the classification net pension liability. Previously, this amount was reported as restricted net position.

The Successor Agency to the Brea Redevelopment Agency financial transactions are reported as a Private Purpose Trust Fund within the Fiduciary Funds section of the CAFR. The Private Purpose Trust Fund is reporting long-term liabilities of \$154.2 million of bonded obligations to be paid from future Redevelopment Property Tax (formerly tax increment).

Single Audit Report and Corrective Action Plan

A Single Audit, including the Corrective Action Plan is required of any organization expending \$750,000 or more of federal funds in a year. The purpose of the Single Audit Report is to report on an organizations compliance with the federal government's requirements for the use of federal funds, awards or grants. For the year ended June 30, 2018, the City had \$7,466,792 in federally funded expenditures mostly related to the Tracks at Brea project (See attached report, page 6-7). The following is a summary of the Single Audit Report and Corrective Action Plan:

- The Independent Auditors' Report on Internal Control Over Financial Reporting – This

report communicates any significant deficiencies in internal control or material instances of noncompliance as it relates to the City's financial reporting. This report noted no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

- The Independent Auditors' Report on Compliance for Each Major Federal Program – This report communicates any significant deficiencies in internal control over compliance for Each Major Federal Program. Due to a missing procurement file, the City's auditor states that they were unable to obtain sufficient and appropriate audit evidence supporting the compliance of the major federal program reviewed and consequently were unable to determine whether the City complied with those requirements applicable to that program. (see information below, Findings 2018-002 and 2018-003). Therefore, the auditor believes that their audit provides a reasonable basis for a qualified opinion on compliance and consider the deficiency in internal controls over compliance as described in the report to be a material weakness. However, the report also indicates, the audit does not provide a legal determination of the City's compliance. Additionally, the auditor identified instances of non-compliance which are required to be reported and that the auditor considers to be significant deficiencies; however, their opinion on each major federal program is unmodified with response to these matters.
- Schedule of Expenditures of Federal Awards and Notes which outlines the federal award activity for the City of the Fiscal Year ended June 30, 2018.
- The Schedule of Findings and Questioned Costs, including the Corrective Action Plan
 - Financial Statement Findings – None
 - Federal Award Findings and Questioned Costs:
 1. Findings 2018-002 for Procurement, Suspension and Debarment and 2018-003 Special Tests and Provisions (both related to the missing procurement file previously mentioned) which include questioned costs of \$424,738. Due to the missing procurement file, the City was not in compliance with the terms and conditions of the grant agreement which required the retention of all records for three years from final expenditure of the grant revenues. The costs are not being questioned because they cannot be verified or are unallowable, but the City was unable to provide the procurement files supporting the contract's competitive procurement process; evidence of verification at the time of procurement of whether the entity was suspended or debarred and certain indirect cost rate information. Additionally, the City's policies for procurement of professional services at that time were not specific to engineering and design services, nor was there evidence of approval by the State of California Department of Transportation.

It is noted that City staff did provide certain evidence of the contract's competitive procurement process to include the Request for Proposal; the successful proposal and several staff reports related to the contract amendments that outlined the competitive process used to procure the original contract. Additionally, staff provided information that the vendor has not been suspended or debarred since October 31, 2012, and is currently not suspended or debarred. Lastly, the City's current purchasing policies include written procedures regarding the competitive process for procurement of professional services and the City has also obtained documentation of the indirect cost self-certifications from the

vendor for 2012 through 2016, and has requested the calendar year 2017 document from the vendor.

The City's Corrective Action Plan for these two findings includes a review and update to the Grant Management Policies and Procedures (GMPP) to ensure that these requirements are sufficiently documented and to include detailed information regarding specific procedures over methods of procurement used for engineering and design services. Additionally, the City will be considering maintaining a copy of the pertinent records for documentation along with the contract on file in the Purchasing Division office.

2. Federal Award Findings 2018-001 and 2018-004 had no questioned costs identified and were as follows:

- Finding 2018-001 - Allowable Costs/Cost Principles, Cash Management. As stated in the finding, the City implemented a written Grant Management Policies and Procedures (GMPP) document dated November 20, 2018 which documents a number of procedures that were already in place at June 30, 2018.
- Finding 2018-004 - Reporting. As stated in the finding, the City's procedures include a review of the Active Transportation Program (ATP) Project Progress Reports by the City Engineer. The City's Grants Management Policies and Procedures will be updated to indicate that documentation of such review and approvals be maintained in the project files.

- Schedule of Prior Audit Findings - The City has implemented all the prior year Financial Statement Findings as of June 30, 2018 and implemented the Federal Award Finding as of November 20, 2018 (see Finding 2018-001)

Appropriations Limit Report – It is the City's responsibility to calculate and adopts the annual appropriations limit pursuant to Article XIII-B of the California State Constitution. The City's auditor is required to review and approve the appropriations calculation as part of the annual audit of the City. The auditor found no exceptions to the City's calculation of the appropriations limit. See attached report.

SUMMARY/FISCAL IMPACT

The City's annual audit for the Fiscal Year ended June 30, 2018 (FY 2017-18) has been completed and the City's independent auditor has issued an unmodified opinion on the City's CAFR, which is the highest level of assurance an entity can receive from its independent auditors (a "clean audit"). New procedures have been put in place to address items noted in the City's Management Letter. There is no fiscal impact on the City as a result of this audit.

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: Lee Squire, Financial Services Manager

Concurrence: Cindy Russell, Administrative Services Director

Attachments

CAFR

Audit Communication Letter

Management Letter

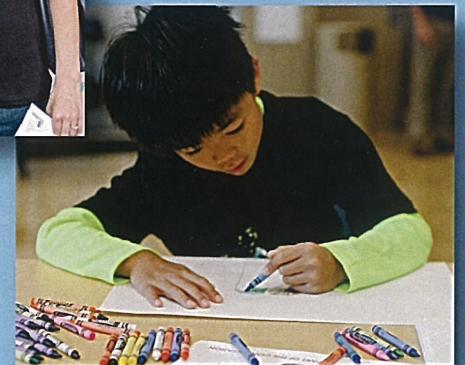
Single Audit Report

Corrective Action Plan

Appropriations Limit Report

City of Brea, California

Fiscal Year Ended June 30, 2018

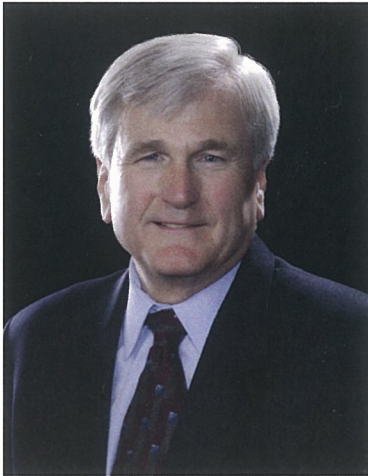


Comprehensive Annual Financial Report



BREA
envisions
activities
open inviting
people
schools
diverse
entertainment
future traditional
community
welcoming
environment
love
restaurants history
oriented
progressive
innovative kids
quality
family
opportunities
friendly great
vision
homes
fun
shop

CITY COUNCIL



Glenn Parker
Mayor



Christine Marick
Mayor Pro Tem



Cecilia Hupp
Council Member



Marty Simonoff
Council Member



Steven Vargas
Council Member

ELECTED OFFICIAL

Treasurer **Richard J. Rios**

ADMINISTRATIVE PERSONNEL

| | |
|--|----------------------------|
| <i>City Manager</i> | William Gallardo |
| <i>Assistant City Manager/ Community Services Director</i> | Chris Emeterio |
| <i>Administrative Services Director</i> | Cindy Russell |
| <i>Chief of Police</i> | John M. Conklin |
| <i>Community Development Director</i> | David Crabtree |
| <i>City Clerk</i> | Lillian Harris-Neal |
| <i>Fire Chief</i> | Wolfgang Knabe |
| <i>Public Works Director</i> | Tony Olmos |
| <i>City Attorney</i> | James Markman |

CITY OF BREA, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Prepared by:

Administrative Services Department

Cindy Russell
Administrative Services Director

Lee Squire
Financial Services Manager

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CITY OF BREA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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Introductory Section

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March 8, 2019

Honorable Mayor, Members of the City Council, and Citizens of the City of Brea:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Brea for the Fiscal Year ended June 30, 2018. This report has been prepared in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Brea. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Vavrinek, Trine, Day & Co., LLP, a firm of licensed certified public accountants, has audited the City of Brea's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brea for the Fiscal Year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City of Brea's financial statements for the Fiscal Year ended June 30, 2018, are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

The City of Brea is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's 2 CFR Part 200 Uniform Guidance, *Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards*. The City continually seeks federal assistance whenever possible and for Fiscal Year ending June 30, 2018 received in excess of \$7.4 million in grant revenues. Information related to this single audit, including a schedule of expenditures of federal awards assistance, the independent auditors' reports on the internal controls and

compliance with applicable laws and regulations, and a schedule of findings and questioned costs is available in the City of Brea's separately issued Single Audit Report.

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

CITY OF BREA PROFILE

The City of Brea, a diverse residential and business community is located at the most northern tip of Orange County at the juncture of three counties with access to major airports, popular regional attractions, beaches, deserts and mountains. Nestled among the hillsides, just 25 miles southeast of Los Angeles, Brea is home to more than 40,000 residents and hosts a daytime working population of more than 100,000.

The City is a major retail center featuring the county's fourth largest shopping center, the Brea Mall; the Brea Union Plaza; Brea's Downtown; and a host of other retail and service businesses. Brea is also a center for big businesses such as Albertsons Distribution Warehouse, Bank of America, Beckman-Coulter, Bristol Industries, Kirkhill-TA Company, Evangelical Christian Credit Union, Kaiser Permanente, Kindred Hospital, Nature's Best, Veterinary Pet Insurance Company and Nestle Waters North America. Several companies' corporate headquarters are located within Brea, including Beckman-Coulter, Suzuki Motor of America and Mercury Insurance.

Although Brea is a major retail and business hub, it maintains a balance with nature, preserving its hillside and canyon areas, which also contribute to Brea's quality of life. Brea is home to one of the nation's largest outdoor sculpture collections, with 179 pieces of sculpture created to date, an art gallery and a performing arts theatre. Brea has long been recognized for its vision and innovation. It possesses a focused economic development strategy, designed to ensure a well-balanced, economically viable community which includes a wide range of housing, beautiful parks and excellent schools.

Brea provides an excellent portfolio of responsive municipal services. The City operates as a "full service city," providing a full range of services including police and fire protection, water and sanitation services, construction and maintenance of streets and infrastructure, as well as recreational and cultural services. Besides serving its own residential and business customers, Brea has a tradition of entrepreneurial ventures providing services to numerous other public agencies such as information technology and printing services.

The City of Brea operates under the Council-Manager form of government, and is governed by a five member City Council elected at large, serving staggered four-year terms. Council elections are held in November of even-numbered years in conjunction with statewide general elections.

The annual budget serves as the foundation for the City of Brea's financial planning and control. The budget is adopted on an annual basis by the City Council in June of each year. The budget team, with the approval of the City Manager, develops budget guidelines in January. The various City departments then submit revenue estimates and expenditure appropriation requests for the one-year period that begins July 1. Budget meetings are held with each department, which leads to the development of the proposed budget. The City Manager then presents the proposed budget document to the City Council, which is discussed with the City Council in public workshops in mid-May. Formal public hearings are held in early June. The City Council adopts the annual budget on or before June 30 of each year. At the conclusion of the first six months, the budget team prepares a report on the progress of the first half of the budget cycle. The City Manager formally reviews the report with the City Council. The City Council adopts budget modifications as needed. The level of budgetary control is established at the department level within the General Fund and at the fund level for all other funds.

LOCAL ECONOMIC FACTORS

Brea's physical setting encompasses about 7,955 acres or 12.43 square miles of land. Brea's land use is distributed as follows:

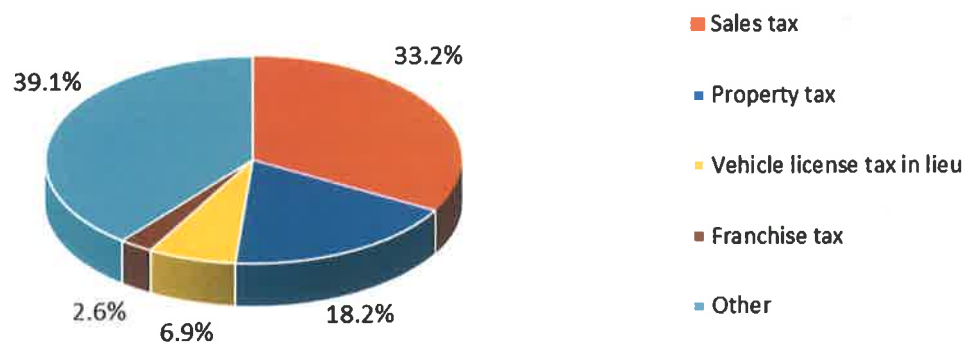
Land Use Distribution

| Land Use | Percent |
|--|-------------|
| Residential (single-family, multi-family, and mobile homes) | 27% |
| Commercial and Office | 5 |
| Industrial | 11 |
| Parks and Open Space | 14 |
| Public Facilities (City facilities, schools, drainage channels, and fire stations) | 4 |
| Carbon Canyon Hillside Areas and Vacant Lands | 21 |
| Agriculture | 1 |
| Vacant | 2 |
| Other (streets) | 15 |
| Total | 100% |

Source: City of Brea General Plan (2003, and subsequent updates 2008, 2014)

The current land use mix produces General Fund revenues of approximately \$58 million. The top four revenue sources include sales tax, property taxes, vehicle license taxes, and franchise taxes. These revenue sources account for 60.9% of the total amount of General Fund revenues. The remaining revenues account for 39.1% of the total and are represented by a broad range of sources.

General Fund Revenues by Revenue Source Fiscal Year Ended June 30, 2018

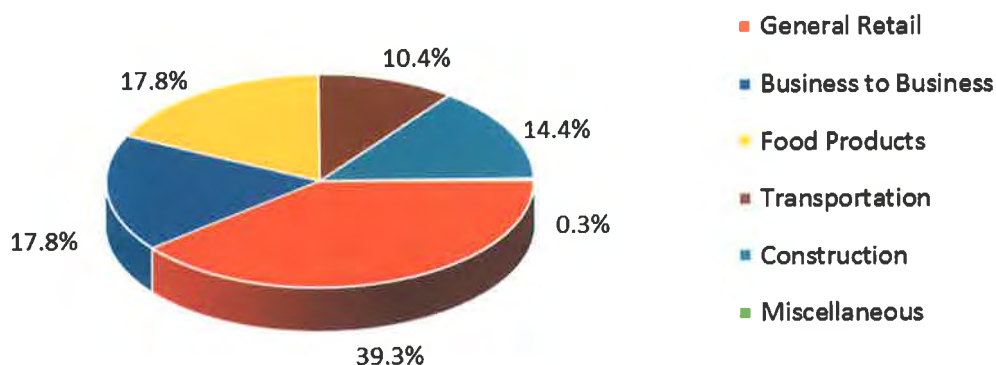


Sales Tax

Sales tax represents the single largest source of General Fund revenue at \$19.2 million. It is derived from six major economic categories as listed in the following chart. The retail category, including department stores,

apparel stores and general merchandise, makes up 39.3% of the total sales tax generated. This sector includes the regional Brea Mall, which is the fourth largest mall in sales tax volume in Orange County. The second largest economic sector remains tied between the business-to-business category and the food products category, at 17.8%. During Fiscal Year 2017-18, the City's sales tax consultant MuniServices reported that the sales tax growth has flattened. Overall, Brea's sales tax on a per capita basis consistently outperforms other municipalities, a strong indicator that the City imports sales tax dollars from surrounding communities. The City of Brea's sales tax per capita is the second largest in Orange County.

Sales Tax by Economic Categories Fiscal Year Ended June 30, 2018



Property Taxes

Brea is a very diverse community as previously indicated in the land use chart. General Fund property taxes represent \$10.55 million or 18.2% of General Fund revenues. Assessed valuation of all property (including the former Brea Redevelopment Agency) in Brea is \$9.7 billion, an increase of 5.8% over the prior fiscal year. The valuation is split between residential at 58%, commercial/industrial at 34%, and the remaining 8% for other miscellaneous uses. Of the City's 16,358 dwelling units, 65% are single-family units, 29% are multi-family units and 6% are mobile homes. Housing costs in Brea continue to rank among the highest in North Orange County. Brea, like other cities in Orange County, is experiencing an increase in housing prices. The median price of a single-family home increased to \$694,000 from \$670,000 noted in the prior fiscal year.

Vehicle License Fees (VLF)

When a vehicle is registered in California, a license fee is charged by the State of California. This fee includes a small administrative fee and a property tax in lieu fee. The in lieu fee is based on depreciated value of the vehicle and declines over the useful life of the vehicle. The in lieu fee, while collected by the State Department of Motor Vehicles, belongs to local government (cities and counties). It is allocated based on a per capita basis.

Beginning in January 2005, the Vehicle License Fee was permanently reduced to 0.65% from 2.0% of the vehicle's fair market value. Any loss to cities by this rate reduction will be made up, dollar for dollar, with an allocation from the County's Educational Revenue Augmentation Fund (ERAF) property tax account with two payments, due on or before January 31st and May 1st of each year. This allocation will grow with any corresponding growth in the City's secured property tax valuation.

Franchise Taxes

The franchise revenue received by the City is based on adopted City ordinances and contractual agreements. Public utilities (electric and gas) account for 50.1% of the \$1.6 million in annual franchise tax revenue. The remaining 49.9% of this revenue includes franchise fees for oil pipelines, cable television, and other non-city utilities.

Franchise Taxes Fiscal Year Ended June 30, 2018

| | Annual Revenue | Percent of Total |
|------------------|---------------------------|-----------------------------|
| Public Utilities | \$ 799,525 | 50.1% |
| All Others | 794,907 | 49.9% |
| Totals | <u>\$ 1,594,432</u> | <u>100.0%</u> |

ECONOMIC OUTLOOK

Development within Brea remains active with both projects in review as well as actively being constructed. New residential units are opening this year in the planned community of Central Park Village. And further infill development is also being constructed at the Brea Place project which is approved to include mixed-use improvements including 600+ residential apartments, commercial office space and a new hotel. Finally, on the residential front, project applications are in review for new master planned neighborhoods at the Brea 265 project, which includes applicant goals for as many as 1100 new homes. For more affordable, workforce level housing, the Mercury Lane Apartments project—proposed at 120 units—is under review and would provide for a westward expansion of Brea Downtown. Commercial and Industrial activity also remains active. Of significant note, the City is in discussions with Simon Properties to redevelop the now closed Sears store and parcel at the Brea Mall—Simon is planning a significant new investment in its Brea property to take it to the next level. Simon's further refinement of this asset has already started with its expansion of the Apple Store and realizing further tenants such as Tesla Automotive, Google, and others in a reworking of its tenanting strategies. Brea Downtown commercial activity has also been strong with a new 100+ room hotel application in review and the recent opening of the new and expanded Improv live performance venue and associated new restaurants. Other existing restaurant investment is anticipated this year together with new retail tenants. Finally, on the Industrial front, several projects are in discussion and anticipated for submittal this year for new research and design facilities to come to market. All in all, Brea's development activity remains robust and anticipated to continue as new City led Planning efforts, such as The Brea Core Plan, continues, with goals to help assure for Brea's Economic Development future.

Unemployment in Brea continues to remain low with Orange County ranked 8th in the state for the lowest unemployment rate hovering around 2.8 percent according to the State Employment Development Department. Brea is aligned with the County with an unemployment rate of 2.8 percent. The low unemployment is anticipated to stay relatively unchanged through the next fiscal year.

General retail is anticipated to remain relatively flat over the next fiscal year. However, there are several retail sectors within Brea that are at an all-time high which includes restaurants and food markets and construction retailers and suppliers; auto sales. Given positive outlook in these areas along with the coming development, Brea may experience some marginal revenue growth beginning in mid to late 2019.

Brea's strong financial foundation is not only the result of the City's efforts during Fiscal Year 2017-18, but the result of fiscally conservative organizational decisions made over the past decade. Some of the past measures included tough strategic decisions such as: City-wide reorganization, increasing employee retirement contributions and other reductions, while maintaining core City services.

Overall, the Fiscal Year 2018-19 budget is balanced due to a solid foundation of fiscally conservative practices combined with a continued increase in employee retirement contributions, projecting relatively flat expenditures and a generally improving economy. Total General Fund revenues for Fiscal Year 2018-19 are projected to increase slightly by approximately 1% over Fiscal Year 2017-18 (excluding net change in Paramedic Services) mainly due to the increasing property taxes. While revenues are increasing slightly, staff will continue to identify and closely monitor any potential threats to City revenues.

It is important to understand why the City of Brea (and all local government) is impacted by State Government's decisions and actions. Unlike the State Government, the City does not exert control over two of its primary sources of revenue for the General Fund - property taxes and sales taxes.

The following regional factors, along with the State and National economic condition, will continue to place uncertainty on Brea's revenues and expenditures:

- The continued statewide CalPERS increases in FY 2018-19 and beyond to address pension liability.
- The continued increase in online versus brick and mortar retail sales impacting sales tax revenues.
- Increases in the cost-of-living as the economy continues to improve.
- Housing activity expected to decrease due to increasing interest rates.

It is expected that these factors may have a potentially negative impact on the City's revenues. Other costs such as energy, water, and equipment are being diligently managed in an effort to minimize the need for future service reductions. Going forward, during Fiscal Year 2018-19, City staff will continue to be diligent in monitoring economic factors and seek additional budget solutions to balance the budget.

Locally, geographic and socio-economic conditions in Orange County and the City of Brea remain desirable. Property values in the region are projected to increase, and the City's property tax base is expected to continue its favorable trend for the foreseeable future. Brea's net taxable assessed valuation for Fiscal Year 2017-18 General Fund increased by almost 11% from the prior year.

Brea's sales tax of \$19.2 million in Fiscal Year 2017-18 decreased almost 3% compared to the prior fiscal year. However, due to increasing online sales of which Brea only receives a portion of the County pool proceeds, sales tax dipped down to \$19.2 million for FY 2017-18 and is expected to slightly increase for FY 2018-19. Based on economic data trends and projections, overall retail sales are projected to increase by approximately 1.0% - 1.5% annually thereafter.

Highlights for the State of California from the UCLA Anderson Forecast on December 5, 2018 include the following:

- The forecast indicates that the state's economy is evolving as expected however the risk of a trade war with China remains a concern as it could adversely affect the logistics industry which is one of the fastest growing sectors in California this past year.
- California's unemployment rate is expected to have a normal differential to the U.S. rate, at 4.6% in 2020.
- The employment and payroll growth is expected to grow in the mid-1% range in 2019 and slow to less than 1% in 2020. Real personal income growth in California is expected to be in the upper 3% range in 2019 and will cool to just below 3% in 2020.

LONG-TERM FINANCIAL PLANNING

Brea Engagement & Strategy Team

Representatives from all City departments meet to discuss strategic planning issues. Over 40 City staff members work collaboratively on an ongoing basis to focus on identifying and evaluating changing City needs. This group is also instrumental in tackling economic impacts on the City's Budget. BEST continues to meet focusing on addressing changes to the budget and other organizational concerns that may be necessary to financially sustain the City over the course of the next several fiscal years and beyond.

Capital Improvement Program (CIP) Budget

The goal of the seven-year CIP is to enhance the quality of life in the community, ensure a safe environment and to promote transportation improvement in the City. The CIP budget for Fiscal Year 2017-18, the first of the seven years, reflects the City Council's commitment to this goal by enhancing existing infrastructure and providing new infrastructure to aid in service delivery to the community. The remaining six years of the CIP are not a commitment of actual funds, but rather a long-range planning tool for subsequent investments in the City's infrastructure. The CIP is divided into six categories: streets, traffic safety, water, storm drain, sewer, and facility improvements.

Community Center Reserves

Funds are set aside annually for the future replacement of the Community Center facility and equipment. Ongoing review of facility and equipment needs allows the City to manage and plan for expenditures in a more proactive manner. The balance in Community Center Reserves at June 30, 2018 was \$948,517.

Capital Asset Reserves

Funds are set aside annually for the replacement of City-owned infrastructure, facilities and capital assets. In addition to a fixed annual contribution, an assessment is made at the end of each fiscal year to determine whether an additional contribution can be made based upon a review of General Fund excess revenues over expenditures. The balance in Capital Asset Reserves at June 30, 2018 was \$8,665,861.

Pension Rate Stabilization Program

On November 17, 2015, the City of Brea established a pension rate stabilization program with Public Agency Retirement Services (PARS) to reduce the future unfunded pension liability for current and future retirement costs for both safety and non-safety employees. The City's initial contribution of \$6,000,000 was made during FY 2015-16 and the balance as of June 30, 2018 including interest earned to date was \$7,325,249.

MAJOR INITIATIVES

State Route 57/Lambert Road Interchange Improvements

This is a major construction project in conjunction with Caltrans to construct a new eastbound to northbound loop on-ramp and modify the spacing between the existing SR-57 on and off ramps to improve traffic flow on Lambert Road. The project budget is \$100 million with more than 90% of the funding from grants; federal funding \$74 million and \$18 million from the Orange County Transportation Authority (OCTA). The remainder is funded by the City with Traffic Impact Fees. Caltrans is the lead agency for environmental and implementation while the City of Brea is the lead for the Right-of-Way and Design.

Pension Reform

Starting in Fiscal Year 2011-12, the City of Brea began the first year of pension reform for both safety and non-safety employees by requiring employees to contribute toward their retirement and instituting PEPR, a second retirement tier for new employees. As of June 30, 2018, all employees are paying 100% of the employee share of retirement; all public safety employees and some miscellaneous employees are cost sharing the City's share of retirement costs. The implementation of a multi-tiered retirement system is a long-term solution to mitigate the increases in pension costs; however, savings are not fully realized for many years in the future.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Brea for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2017. This was the 28th consecutive year that the City of Brea has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

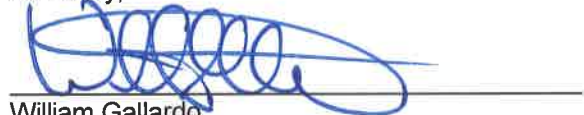
ACKNOWLEDGMENTS

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of Lee Squire, Financial Services Manager – Accounting, and the entire staff of the Administrative Services Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We also would like to thank our independent auditing firm, Vavrinek, Trine, Day & Co., LLP for their expertise and advice in the preparation of this year's financial report.

In closing, without the leadership and support of the City Council of the City of Brea, preparation of this report would not have been possible.

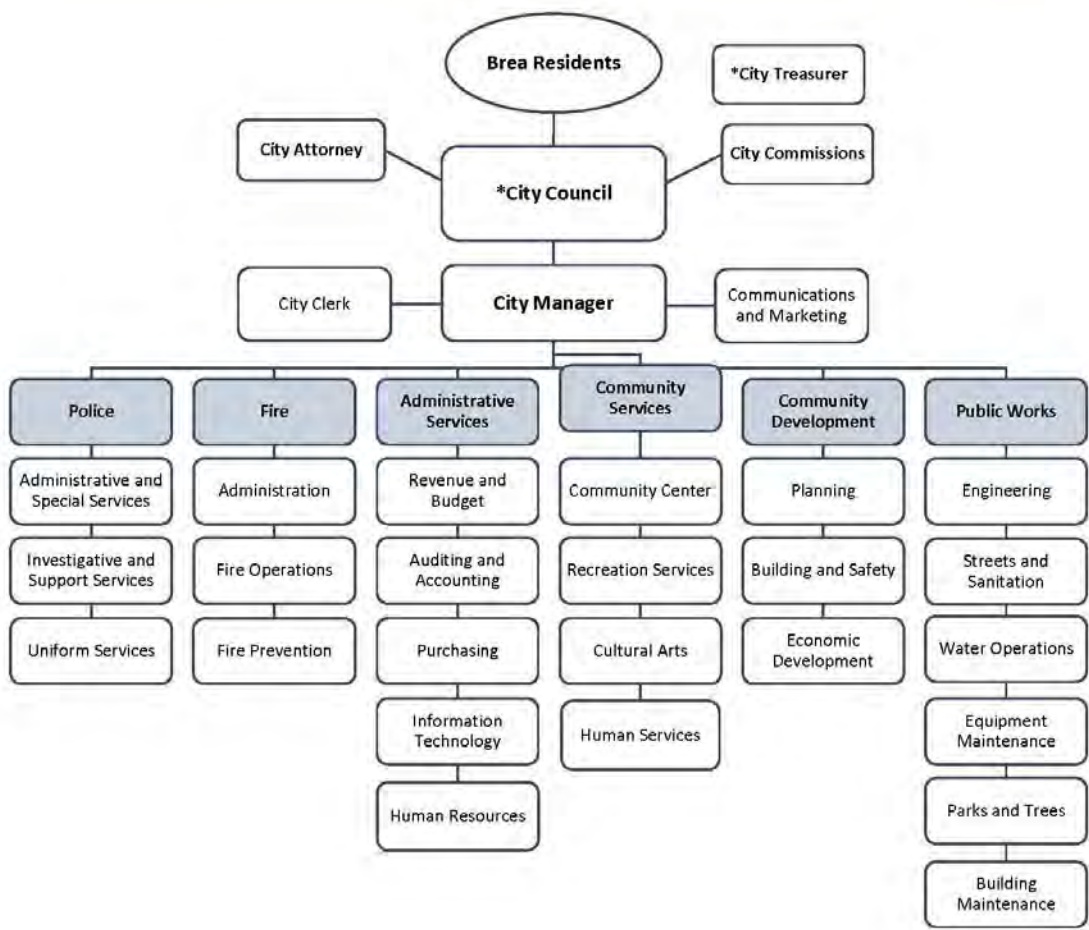
Sincerely,



William Gallardo
City Manager



Cindy Russell
Administrative Services Director





Government Finance Officers Association

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Presented to

**City of Brea
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Monell

Executive Director/CEO

Financial Section

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

To the Members of the City Council
City of Brea, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brea, California, (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 1, 10, and 13 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and No. 85, *Omnibus 2017*, as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 through 17), schedule of changes in the net pension liability and related ratios for the Miscellaneous and Safety Plans (pages 95 through 96), schedule of plan contributions for the Miscellaneous and Safety Plans (page 97), schedule of changes in total OPEB liability and related ratios (page 98), and schedules of revenues, expenditures and changes in fund balance – budget and actual for the General Fund and each major special revenue fund and related note (pages 99 through 101), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor funds financial statements and budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor funds financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor funds financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Yavrinek, Trine, Day & Co., LLP

Laguna Hills, California
March 8, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Brea's Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2018. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Long-Term Economic Resource (Government-wide) Focus – Economic resources are differentiated from financial resources in that the economic measurement focus measures changes in net position as soon as the event occurs regardless of the timing of related cash flows. Therefore, this measurement focus includes both current spendable resources and fixed non-spendable assets, and long-term claims against these assets. The resulting net position utilizing this measurement focus provides one measure of the City's overall long-term financial condition.

- The assets and deferred outflows of the City exceeded its liabilities at the close of the most recent fiscal year resulting in a net position of \$260 million.
- The City's total net position increased overall by \$31 million due to a \$51 million increase due to current year operations and a \$20 million decrease due to the restatement of net position by implementing Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective July 1, 2017.
- The City's non-current liabilities of \$210 million primarily includes \$125 million in net pension liabilities; \$26 million in other post-employment (OPEB) liabilities and \$59 million of outstanding bonded debt and capital leases (which was used to finance the acquisition of capital assets and to fund capital improvements). Total capital assets, net of depreciation, represent \$316 million of the \$464 million in total assets. A significant portion of the capital assets have been funded through bond financing from the former Brea Redevelopment Agency.

Short-Term Financial Resource (Fund) Focus – The financial resources focus measures inflows of current spendable assets. The resulting net difference between current financial assets and current financial liabilities, otherwise known as fund balance (or net working capital in the private sector), is to measure the City's ability to finance activities in the near term.

- At the close of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$81 million, an increase of \$2 million. Of the total combined fund balance of \$81 million for governmental funds, \$139,562 was non-spendable, \$52.7 million was restricted, \$867,841 was committed, \$12.3 million was assigned, and \$14.7 million was unassigned.
- The General Fund reported an increase of \$2 million in fund balance resulting in a total ending fund balance of \$36.1 million. Of the total ending fund balance, \$139,562 was non-spendable, \$8.1 million was restricted, \$867,841 was committed, \$12.3 million was assigned and \$14.7 million was unassigned. The unassigned balance is available for future appropriations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the Comprehensive Annual Financial Report contains the following information: *Independent Auditors' Report*, *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, the *Supplementary Information* section, and an optional section that presents combining and budgetary schedules for individual non-major funds. The *Basic Financial Statements* are comprised of three components: 1) *Government-wide Financial Statements*, 2) *Fund Financial Statements* and 3) *Notes to the Financial Statements*. The Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements – The Government-wide Financial Statements are intended to provide a “Big Picture” view of the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's assets (including non-spendable assets like streets and roads) and any deferred inflows, liabilities (including long-term liabilities that may be paid over twenty or more years) and any deferred outflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Government-wide Financial Statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one should also consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The City's Government-wide Financial Statements are divided into two categories:

Governmental Activities – This statement depicts the extent to which programs are self-supporting and the net amount provided by property taxes and other general revenues. Most of the City's basic services are included in this category, such as public safety, community development, community services, public works, and general administration. Taxes and charges for services finance most of these activities.

Business-type Activities – The City's business enterprises include urban runoff, water utility, sewer utility, sanitation, and information technology external support. The City charges fees to customers to recover the cost of providing these services.

Fund Financial Statements – Funds are accounting devices that the City uses to track and control resources intended for specific purposes. The Fund Financial Statements provide more detailed information about the City's most significant funds (major funds) but not the City as a whole. Some funds are required by State and Federal law or by bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes.

The City utilizes three broad categories of funds:

Governmental Funds – Governmental Funds are used to account for essentially the same functions reported as Government Activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements utilize the financial resources measurement focus and thus concentrate on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the Governmental Fund Financial Statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs.

Proprietary Funds – Services for which the City charges customers a fee are generally reported in Proprietary Funds (Enterprise Funds and Internal Service Funds). Like the Government-wide Financial Statements, these funds provide both long and short-term financial information utilizing the economic resources measurement focus. The City's Enterprise Funds (urban runoff, water, utility, sewer utility, sanitation, and information technology external support) are individual funds represented in the combined presentation of Business-type Activities in the Government-wide Financial Statements. The individual fund presentation provides more detailed information about each business segment, its operating statements, and statements of cash flow. The City also uses Internal Service Funds that are utilized to report and allocate the cost of certain centrally managed and operated activities (risk management, equipment replacement, and building occupancy). Because the Internal Service Funds primarily serve the government, they are reported with Governmental Activities rather than the Business-type Activities in the Government-wide Financial Statements.

Fiduciary Funds – The City utilizes Fiduciary Funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements – The financial statements also include the Notes to the Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to the Financial Statements is critical to a reader's full understanding of the Government-wide and Fund Financial Statements.

Supplementary Information – In addition to the required elements of the Basic Financial Statements, we have also included a Supplementary Information section, which includes budgetary and combining schedules that provide additional details about the City's non-major Governmental Funds, Enterprise Funds, Internal Service Funds, and Fiduciary Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve over time as a useful indicator of a government's financial position. The City's combined net position for the year ended June 30, 2018, as shown in Table 1, was \$260 million.

Table 1
Net Position
June 30, 2018
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|--------------------------------------|-------------------------|------------|--------------------------|-----------|------------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 96,690 | \$ 96,892 | \$ 24,894 | \$ 16,310 | \$ 121,584 | 113,202 |
| Capital assets | 210,741 | 177,570 | 105,184 | 93,268 | 315,925 | 270,838 |
| Noncurrent assets | 9,382 | 8,956 | 17,133 | 17,170 | 26,515 | 26,126 |
| Total assets | 316,813 | 283,418 | 147,211 | 126,748 | 464,024 | 410,166 |
| Deferred charge on refunding | - | - | 491 | 655 | 491 | 655 |
| Deferred pension/OPEB related items | 25,281 | 19,606 | 2,419 | 1,901 | 27,700 | 21,507 |
| Total Deferred Outflows of Resources | 25,281 | 19,606 | 2,910 | 2,556 | 28,191 | 22,162 |
| Noncurrent liabilities | 144,292 | 116,683 | 65,585 | 62,181 | 209,877 | 179,032 |
| Other liabilities | 13,537 | 16,128 | 3,801 | 3,819 | 17,338 | 19,947 |
| Total liabilities | 157,829 | 132,811 | 69,386 | 66,000 | 227,215 | 198,979 |
| Deferred pension/OPEB related items | 3,915 | 3,784 | 1,243 | 1,178 | 5,158 | 4,962 |
| Total Deferred Inflows of Resources | 3,915 | 3,784 | 1,243 | 1,178 | 5,158 | 4,962 |
| Net Investment in Capital Assets | 204,323 | 170,548 | 58,347 | 42,092 | 262,670 | 212,640 |
| Restricted | 54,134 | 52,867 | 5,658 | 5,641 | 59,792 | 58,508 |
| Unrestricted | (78,107) | (56,986) | 15,322 | 14,393 | (62,785) | (42,761) |
| Total net position | \$ 180,350 | \$ 166,261 | \$ 79,327 | \$ 62,126 | \$ 259,677 | \$ 228,387 |

Net Investment of Capital Assets – The largest component of the \$464 million in total assets is the City's investment in capital assets (e.g., land, buildings, infrastructure, and equipment), representing \$316 million or 68% of total assets. A significant portion of the capital assets have been funded through bond financing from the former Brea Redevelopment Agency.

Noncurrent Liabilities – Of the \$210 million in long-term (non-current) liabilities, \$55.5 million represents outstanding bonded debt and capital leases; \$125 million represents net pension liability; and \$26 million represents the City's OPEB liability. The proceeds from debt were used to finance the acquisition of capital assets and to fund capital improvements.

Restricted Net Position – The \$59.8 million in restricted net position was on overall increase of \$1.2 million from the prior fiscal year.

Unrestricted Net Position – The \$62.8 million deficit in unrestricted net position was an overall increase of \$20 million deficit from the prior fiscal year.

Overall, the City's net position increased \$31 million during the current fiscal year.

Table 2
Change in Net Position
Fiscal Year Ended June 30, 2018
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|---|-------------------------|------------|--------------------------|-----------|------------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 11,242 | \$ 9,484 | \$ 30,966 | \$ 28,377 | \$ 42,208 | \$ 37,861 |
| Operating grants and contributions | 3,965 | 2,633 | 502 | 525 | 4,467 | 3,158 |
| Capital grants and contributions | 43,193 | 5,669 | 14,286 | - | 57,479 | 5,669 |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | 19,358 | 17,888 | - | - | 19,358 | 17,888 |
| Sales taxes | 19,236 | 21,200 | - | - | 19,236 | 21,200 |
| Transient occupancy taxes | 1,786 | 1,716 | - | - | 1,786 | 1,716 |
| Franchise taxes | 1,594 | 1,680 | - | - | 1,594 | 1,680 |
| Business license taxes | 1,107 | 1,079 | - | - | 1,107 | 1,079 |
| Other taxes | 580 | 392 | - | - | 580 | 392 |
| Motor vehicle in lieu | 80 | 75 | - | - | 80 | 75 |
| Use of money and property | 602 | 1,111 | (25) | (23) | 577 | 1,088 |
| Rental Income | 880 | 1,032 | - | - | 880 | 1,032 |
| Other | 3,686 | 8,694 | (53) | 138 | 3,633 | 8,832 |
| Gain (loss) on sale of capital asset | 24 | (2) | 97 | 112 | 121 | 110 |
| Total Revenues | 107,333 | 72,651 | 45,773 | 29,129 | 153,106 | 101,780 |
| Expenses: | | | | | | |
| General government | 6,680 | 7,758 | - | - | 6,680 | 7,758 |
| Public safety | 40,137 | 33,938 | - | - | 40,137 | 33,938 |
| Community development | 3,784 | 3,403 | - | - | 3,784 | 3,403 |
| Community services | 8,055 | 7,599 | - | - | 8,055 | 7,599 |
| Public works | 18,324 | 16,307 | - | - | 18,324 | 16,307 |
| Interest on long-term debt | 380 | 415 | - | - | 380 | 415 |
| Urban runoff | - | - | 396 | 377 | 396 | 377 |
| Water utility | - | - | 17,306 | 14,883 | 17,306 | 14,883 |
| Sewer utility | - | - | 1,897 | 1,630 | 1,897 | 1,630 |
| Sanitation | - | - | 3,284 | 3,045 | 3,284 | 3,045 |
| Information Technology External Support | - | - | 1,790 | 1,724 | 1,790 | 1,724 |
| Total Expenses | 77,360 | 69,420 | 24,673 | 21,659 | 102,033 | 91,079 |
| Change in net position before transfers | 29,973 | 3,231 | 21,100 | 7,470 | 51,073 | 10,701 |
| Transfers | 450 | 1,125 | (450) | (1,125) | - | - |
| Change in net position | 30,423 | 4,356 | 20,650 | 6,345 | 51,073 | 10,701 |
| Net position at beginning of year | 166,261 | 161,905 | 62,126 | 51,978 | 228,387 | 213,883 |
| Restatement of Net position | (16,334) | - | (3,449) | 3,803 | (19,783) | 3,803 |
| Net position at end of year | \$ 180,350 | \$ 166,261 | \$ 79,327 | \$ 62,126 | \$ 259,677 | \$ 228,387 |

Governmental Activities – The cost of all Governmental Activities in the current fiscal year was \$77.4 million. As shown on the statement of activities, \$11.2 million of the cost was paid by those who directly benefited from the programs; \$47.2 million was financed by contributions and grants received from other governmental organizations, developers, and property owners for both capital and operating activities; and \$18.9 million was subsidized through general city revenues. Therefore, as a result of operations, the City's change in net position before transfers increased by \$30 million.

Property tax revenues for Fiscal Year 2017-18 increased by \$1.5 million when compared to Fiscal Year 2016-17. The increase in property tax revenues is primarily due to the increase in sale value of residential and commercial properties, as well as completion of the Blackstone and

La Floresta housing developments. Sales tax revenues for Fiscal Year 2017-18 were \$2 million lower when compared to Fiscal Year 2016-17.

Total expenses for Fiscal Year 2017-18 were \$77 million, an increase of \$7.9 million when compared to Fiscal Year 2016-17. This was primarily due to a combination of increases in public safety and public works expenses.

Brea is a full service city providing residents, businesses and visitors with the following functional services:

General Government is comprised of two departments (City Council/City Manager and Administrative Services) providing general governance, executive management, legal services, communication and marketing, human resources, records management, information technology, accounting, budget, treasury, utility billing, purchasing and reprographics.

Public Safety is comprised of two departments (Police Services and Fire Services) providing general law enforcement, public safety dispatch, fire suppression, fire prevention, paramedic services and emergency preparedness.

Community Development is comprised of two divisions (Planning & Building Services and Economic Development Services) providing planning, zoning and building services, redevelopment services, economic development and housing services.

Community Services is overseen by one department and includes recreation, arts and human services, and the community center.

Public Works is overseen by one department and includes engineering and construction of public facilities, parks, streets and related infrastructure, traffic engineering as well as the maintenance of all public facilities, parks, streets and related infrastructure.

Business-type activities is comprised of two departments (Public Works and Administrative Services) providing five activities to residential and business customers (urban runoff, water utility, sewer utility, sanitation services and information technology external support to public agencies).

Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

Table 3
Governmental Activities
Fiscal Year Ended June 30, 2018
(in thousands)

| | Program Expenses | | Program Revenues | |
|----------------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| General government | \$ 6,680 | \$ 7,758 | \$ 3,073 | \$ 2,669 |
| Public safety | 40,137 | 33,938 | 2,615 | 1,712 |
| Community development | 3,784 | 3,403 | 5,127 | 2,592 |
| Community services | 8,055 | 7,599 | 3,745 | 2,958 |
| Public works | 18,324 | 16,307 | 43,839 | 7,855 |
| Interest on long-term debt | 380 | 415 | - | - |
| Totals | <u>\$ 77,360</u> | <u>\$ 69,420</u> | <u>\$ 58,399</u> | <u>\$ 17,786</u> |

Of the \$58 million in program revenues that financed the Governmental Activities, 75% was utilized for Public Works, 9% was utilized for Community Development, 6% was utilized for Community Services and 5% supplemented for each General Government and Public Safety.

Table 4
Program Expenses and Revenues - Governmental Activities
Fiscal Year Ended June 30, 2018
(in millions)

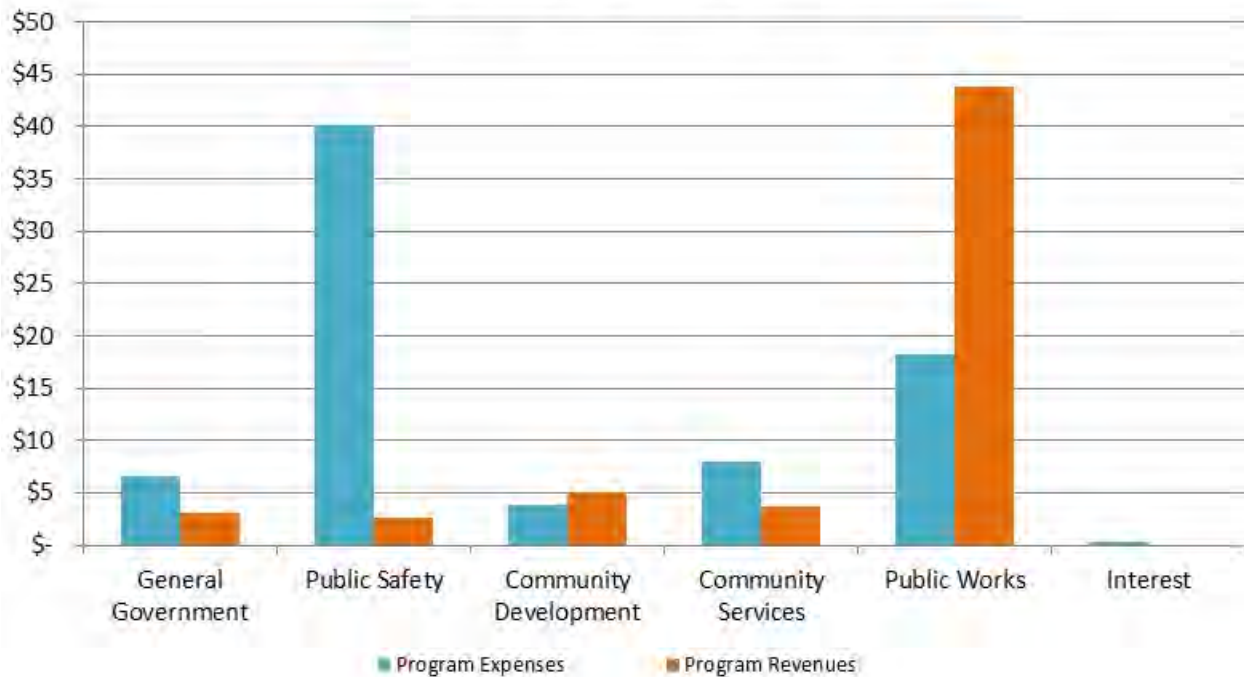
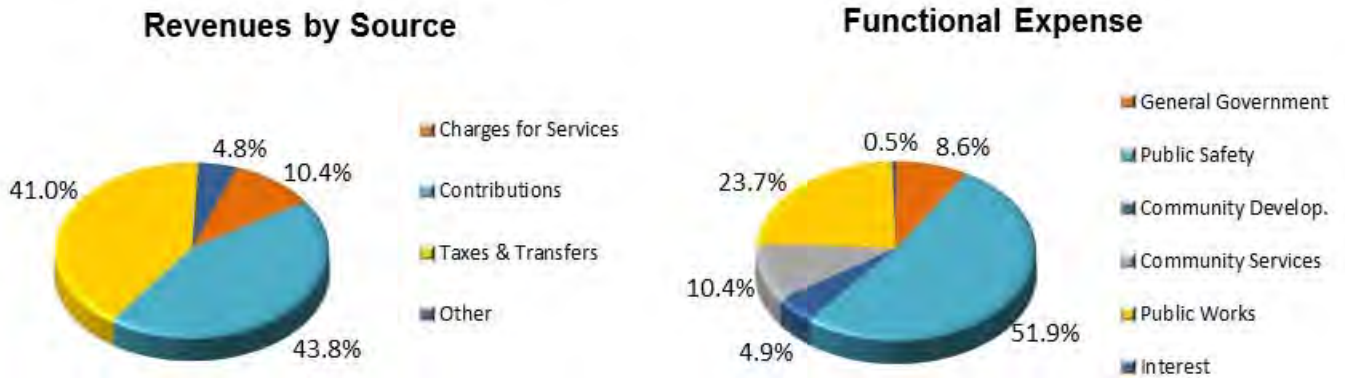


Table 5
Governmental Activities
Fiscal Year Ended June 30, 2018



Major Governmental Activities in the current fiscal year included the following:

Revenues

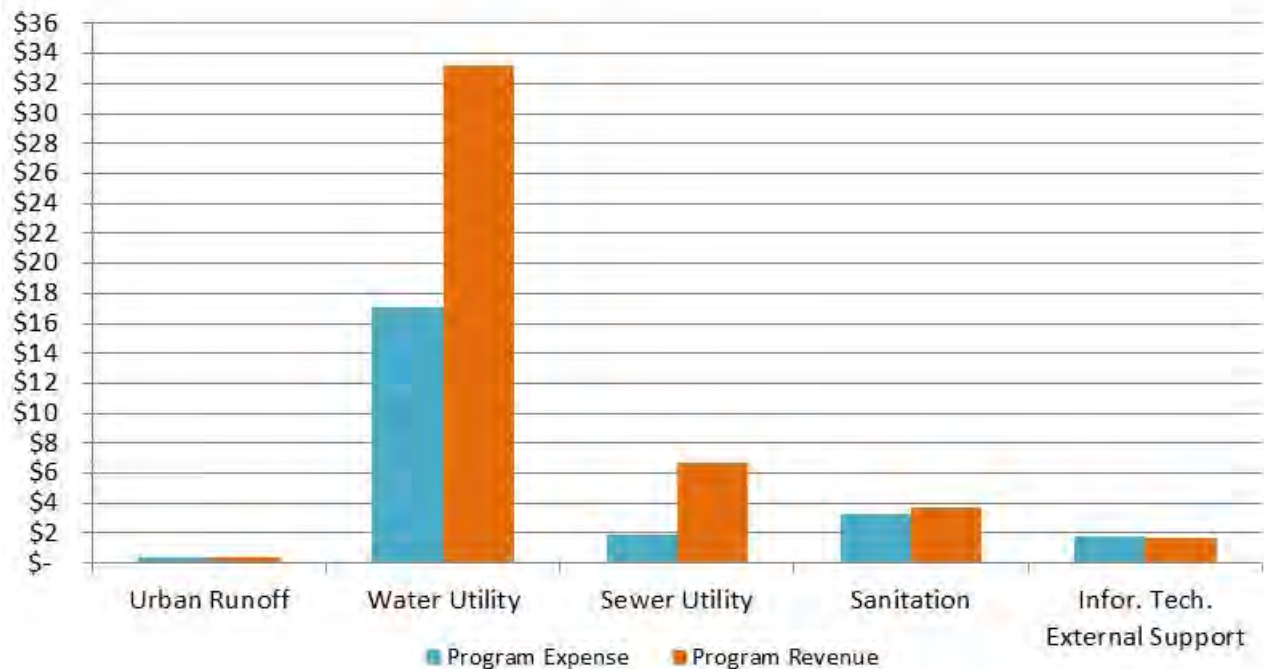
- The City's combined amount of program revenues, general revenues, taxes and transfers was \$107.8 million. This amount includes operating and capital contributions and grants of \$47.2 million and \$44.2 million in taxes and transfers.
- Of the \$107.8 million in total governmental revenues and transfers, 10.4% represents program revenues, 43.8% represents contributions and 41% represents taxes & transfers. Other revenues make up the remaining 4.8%.

Expenses

- In the current year, expenses for all Governmental Activities were \$77.4 million. See Table 5 above for an analysis of the expenses by function/program.

Business-type Activities – Business-type Activities increased the City’s net position by \$20.7 million which was comprised of various changes in the net position of the urban runoff, water utility, sewer utility, sanitation and information technology external support activities. Business-type Activities are financed primarily by fees charged to external parties for goods and services.

Table 6
Program Expense & Revenue – Business-type Activities
Fiscal Year Ended June 30, 2018
(in millions)



Business-type Activities in the current fiscal year included the following:

The water utility activity had an increase in net position of \$15.9 million. The increase in net position was primarily due to the increase in developer contributions of \$9.8 million, as well as \$3.6 million increase due to the increase in charges for services. Of the \$14.3 million in water related expenses, 47.8% was from the purchase of water, 11.1% was from maintenance and other operating expenses, 16.2% was from depreciation, and 24.9% covered personnel costs. Water rates were adjusted effective July 2017, to fund on-going operations, recapture the bond coverage ratio and provide funding for planned capital improvements to the water utility system.

The sewer utility activity had an increase in net position of \$4.8 million. The increase in net position was primarily due to an increase in developer contributions. Of the \$1.9 million in sewer related expenses, 15.2% was from maintenance and other operating expenses, 25.6% from depreciation and 59.2% from personnel costs.

The urban runoff activity had a decrease in net position of \$24,700. This increase was primarily due to user rates being adjusted as well as revenues over expenses. Operating expenses, which include maintenance and operation costs of \$148,343, personnel costs of \$245,091 and depreciation of \$938, totaled \$394,372 while operating and non-operating revenues totaled \$419,072.

The sanitation utility activity had an increase in net position of \$70,603. The increase in net position was due to operating revenues of \$3.7 million, expenses of \$3.3 million and the transfer out of \$400,000 of franchise fees. Operating expenses, included maintenance and operation costs of \$2.5 million and personnel costs of \$778,880.

The information technology external support activity had a decrease in net position of \$134,422. Operating expenses and transfer out of \$1.8 million exceeded operating revenues of \$1.7 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to highlight available financial resources and to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – Utilizing the financial resources measurement focus, the City's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$81 million, an increase of \$2 million. Non-spendable fund balance of \$139,562 is for advances to other funds. Restricted fund balance totals \$52.7 million, legally restricted by external parties. Committed fund balance of \$867,841 is primarily for ongoing updating of the general plan. Assigned fund balance totals \$12.3 million which is primarily for community center and capital assets replacement. Unassigned fund balance totals \$14.7 million.

The General Fund ended the fiscal year with a \$36 million fund balance, a net increase of \$2 million. Non-spendable fund balance of \$139,562 is for advances to other funds. Restricted fund balance of \$8.1 million includes \$7.3 million toward the payment of the City's pension obligations and remaining is for items such as debt service funds with trustees as well as for lighting and landscape districts. Committed fund balance of \$867,841 is primarily for ongoing updating of the general plan. Assigned fund balance of \$12.3 million is primarily for community center and capital assets replacement. Unassigned fund balance of \$14.7 million is available for future appropriations.

The Housing Successor Fund ended the fiscal year with a fund balance of \$20.7 million all of which is restricted for affordable housing activities and for notes and loans receivable.

The City's Capital Projects Fund ended the fiscal year with a fund balance of \$7.7 million, a decrease of \$1.3 million. Restricted fund balance of \$7.7 million is primarily for impact fees.

Proprietary Funds – The City's Proprietary Funds (Enterprise and Internal Service Funds) presented in the Fund Financial Statements section basically provide the same type of information in the Government-wide Financial Statements, but include individual segment information.

The Water Utility Fund ended the fiscal year with a net position of \$64.6 million, an increase of \$15.9 million from prior year. The increase in net position was primarily due to the \$9.8 million developer contribution of capital assets for the Blackstone Development, as well as revenues over expenditures of \$6.1 million less a restatement of \$1.4 million. Of the \$64.6 million in net position \$40.1 million is net investment in capital assets, \$5.7 million is restricted for debt service and \$18.8 million is unrestricted.

The Sewer Utility Fund ended the fiscal year with \$19.4 million in net position, an increase of \$4.8 million. The increase in net position was primarily due to \$4.5 million developer contribution of capital assets for the Blackstone Development. Of the \$19.4 million in net position \$18.2 million is net investment in capital assets and the balance is unrestricted.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted resources and transfers in for the General Fund at fiscal year-end were \$1,074,179 more than the original budget and total actual resources and transfers-in were \$128,043 less than the final budget.

The final appropriations and transfers out for the General Fund at fiscal year-end were \$4.6 million more than the original budget and total actual expenditures and transfers out were \$6.5 million less than the final budget. Several factors contributed to the final variance and are briefly summarized as follows:

Changes to Original Budget

Resources (Inflows):

- The \$1,074,179 variance was primarily due to an increase of \$1 million in overall City revenues.

Changes to Appropriation (Outflows):

- The variance between original budget and final budget of \$4.6 million was primarily due to an increase in transfers out toward the funding of various capital projects.

Variances with Final Budget

Resources (Inflows):

- The variance between budgeted and actual resources was \$128,043.

Charges to Appropriation (Outflows):

- The variance between budgeted and actual charges of \$6.5 million was due to \$4 million decrease in transfers out and \$2.5 million decrease in operational charges across all departments including capital outlay. Operational charges for Public Works department decreased by \$638,626, Public Safety decreased by \$625,493, Community Services decreased by \$596,846 and the remaining variance was spread over Community Development and General Government.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2018, amounts to \$316 million (net of accumulated depreciation). This investment in a broad range of capital assets includes land, structures and improvements, furniture, machinery and equipment, park facilities, roads, sidewalks, water system, storm drains, sound walls, and bridges. The total net increase (including additions and deletions) of \$45 million represents a 17% increase from last year.

Table 7
Capital Assets (net of depreciation)
Fiscal Year Ended June 30, 2018
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 57,236 | \$ 47,152 | \$ 2,850 | \$ 2,074 | \$ 60,086 | \$ 49,226 |
| Water rights | | - | 32,375 | 32,375 | 32,375 | 32,375 |
| Structures and improvements | 65,582 | 40,310 | 25 | - | 65,607 | 40,310 |
| Equipment | 8,433 | 8,579 | 57 | 73 | 8,490 | 8,652 |
| Infrastructure | 79,159 | 69,085 | 69,672 | 58,746 | 148,831 | 127,831 |
| Construction-in-progress | 331 | 12,444 | 204 | - | 535 | 12,444 |
| Totals | <u>\$ 210,741</u> | <u>\$ 177,570</u> | <u>\$ 105,183</u> | <u>\$ 93,268</u> | <u>\$ 315,924</u> | <u>\$ 270,838</u> |

The net decrease to construction-in-progress totaled \$11.9 million, as noted above. This was primarily due to the completion of various capital improvement projects. The following significant capital assets and infrastructure projects were completed in Fiscal Year 2017-18:

- Tracks at Brea
- Super Block I Parking Structure

Additional information on the City's capital assets can be found in Note (7) of the Notes to the Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding for bonds and leases of \$55.5 million for all governmental and business-type activities.

Table 8
Bonds and Capital Leases
Fiscal Year Ended June 30, 2018
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------|----------------------------|----------|-----------------------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Lease revenue bonds | \$ 2,760 | \$ 2,760 | \$ - | \$ - | \$ 2,760 | \$ 2,760 |
| Water revenue bonds | - | - | 49,110 | 50,150 | 49,110 | 50,150 |
| Capital leases | 3,658 | 4,262 | - | - | 3,658 | 4,262 |
| Totals | \$ 6,418 | \$ 7,593 | \$ 49,110 | \$ 50,150 | \$ 55,528 | \$ 57,743 |

Additional information on the City's long-term debt can be found in Note (8) of the Notes to the Financial Statements.

FACTORS EFFECTING NEXT YEAR'S BUDGET

The Fiscal Year 2018-19 General Fund budgeted expenditures were \$51.1 million and budgeted revenues were \$52.8 million.

A brief summary of the factors considered when preparing the Fiscal Year 2018-19 budget are as follows:

- Sales tax represents the single largest source of General Fund revenue, budgeted at \$19.98 million for Fiscal Year 2018-19. Based on economic data trends and projections, sales tax is projected to remain relatively flat for Fiscal Year 2018-19. Brea's sales tax on a per capita basis consistently outperforms other municipalities, a strong indicator that the City imports sales tax dollars from surrounding communities.
- General Fund property taxes are projected to increase by approximately 5.1% and represent \$10.58 million of General Fund revenues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's Administrative Services Department, 1 Civic Center Circle, Brea, California 92821, at (714) 990-7676.

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CITY OF BREA, CALIFORNIA

STATEMENT OF NET POSITION JUNE 30, 2018

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets: | | | |
| Current Assets: | | | |
| Cash and investments | \$ 56,562,910 | \$ 20,011,869 | \$ 76,574,779 |
| Prepaid expense | 517,356 | 606,613 | 1,123,969 |
| Receivables: | | | |
| Taxes | 163,773 | - | 163,773 |
| Accounts | 1,153,533 | 4,838,371 | 5,991,904 |
| Accrued Interest | 2,128,456 | - | 2,128,456 |
| Notes and loans | 18,151,862 | - | 18,151,862 |
| Internal balances | 819,780 | (819,780) | - |
| Due from other governments | 11,007,809 | 256,773 | 11,264,582 |
| Due from Successor Agency | 5,384,580 | - | 5,384,580 |
| Land Held for Resale | 800,000 | - | 800,000 |
| Total Current Assets | 96,690,059 | 24,893,846 | 121,583,905 |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and investments | 9,122,967 | - | 9,122,967 |
| Cash with fiscal agent | 259,380 | 5,657,518 | 5,916,898 |
| Capital assets not being depreciated | 57,567,311 | 35,429,765 | 92,997,076 |
| Capital assets, net of depreciation | 153,173,585 | 69,753,665 | 222,927,250 |
| Equity in California Domestic Water Company | - | 11,475,827 | 11,475,827 |
| Total Noncurrent Assets | 220,123,243 | 122,316,775 | 342,440,018 |
| Total Assets | 316,813,302 | 147,210,621 | 464,023,923 |
| Deferred Outflows of Resources: | | | |
| Deferred charge on refunding | - | 491,412 | 491,412 |
| Deferred amounts related to pensions | 24,257,347 | 2,265,645 | 26,522,992 |
| Deferred amounts related to OPEB | 1,023,207 | 152,893 | 1,176,100 |
| Total Deferred Outflows of Resources | 25,280,554 | 2,909,950 | 28,190,504 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 4,403,472 | 893,445 | 5,296,917 |
| Accrued liabilities | 1,371,008 | - | 1,371,008 |
| Accrued interest | 88,919 | 1,360,655 | 1,449,574 |
| Unearned revenue | 1,337,491 | - | 1,337,491 |
| Deposits payable | 302,201 | 259,545 | 561,746 |
| Due to other governments | 1,797,146 | - | 1,797,146 |
| Long-term liabilities, due within one year | 4,236,581 | 1,287,830 | 5,524,411 |
| Total Current Liabilities | 13,536,818 | 3,801,475 | 17,338,293 |
| Noncurrent liabilities: | | | |
| Long-term liabilities, due in more than one year | 9,686,963 | 49,854,911 | 59,541,874 |
| Total OPEB liability | 22,502,021 | 3,363,267 | 25,865,288 |
| Net pension liability | 112,102,521 | 12,530,484 | 124,633,005 |
| Total Noncurrent Liabilities | 144,291,505 | 65,748,662 | 210,040,167 |
| Total Liabilities | 157,828,323 | 69,550,137 | 227,378,460 |
| Deferred Inflows of Resources: | | | |
| Deferred amounts related to pensions | 2,099,678 | 972,097 | 3,071,775 |
| Deferred amounts related to OPEB | 1,815,640 | 271,304 | 2,086,944 |
| Total Deferred Inflows of Resources | 3,915,318 | 1,243,401 | 5,158,719 |
| Net Position: | | | |
| Net investment in capital assets | 204,322,724 | 58,347,144 | 262,669,868 |
| Restricted for: | | | |
| Affordable housing | 26,663,383 | - | 26,663,383 |
| Public safety | 404,666 | - | 404,666 |
| Public works | 6,903,715 | - | 6,903,715 |
| Capital projects | 19,903,195 | - | 19,903,195 |
| Debt service | 259,380 | 5,657,518 | 5,916,898 |
| Unrestricted | (78,106,848) | 15,322,371 | (62,784,477) |
| Total Net Position | \$ 180,350,215 | \$ 79,327,033 | \$ 259,677,248 |

See accompanying notes to basic financial statements.

CITY OF BREA, CALIFORNIA

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| Functions/Programs | Expenses | Program Revenues | | |
|---|-----------------------|---------------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 6,679,825 | \$ 1,403,754 | \$ 1,669,728 | \$ - |
| Public safety | 40,137,072 | 1,689,176 | 926,137 | - |
| Community development | 3,784,020 | 4,619,615 | 242,649 | 264,532 |
| Community services | 8,054,662 | 3,023,144 | 721,779 | - |
| Public works | 18,324,571 | 506,348 | 404,523 | 42,928,043 |
| Interest on long-term debt | 380,159 | - | - | - |
| Total governmental activities | 77,360,309 | 11,242,037 | 3,964,816 | 43,192,575 |
| Business-type activities: | | | | |
| Urban runoff | 396,030 | 418,426 | - | - |
| Water utility | 17,306,036 | 22,885,107 | 490,805 | 9,828,045 |
| Sewer utility | 1,896,662 | 2,239,774 | - | 4,457,670 |
| Sanitation | 3,283,613 | 3,727,950 | 11,154 | - |
| Information technology external support | 1,790,154 | 1,695,050 | - | - |
| Total business-type activities | 24,672,495 | 30,966,307 | 501,959 | 14,285,715 |
| Total primary government | \$ 102,032,804 | \$ 42,208,344 | \$ 4,466,775 | \$ 57,478,290 |

General revenues:

Taxes:

Property taxes - general purposes

Property taxes - paramedic program

Transient occupancy tax

Sales taxes

Franchise tax

Business licenses taxes

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Rental Income

Other

Gain on disposal of capital assets

Total General Revenues

Transfers

Change in net position

Net Position at Beginning of Year, as restated

Net Position at End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|-----------------------|
| \$ (3,606,343) | \$ - | \$ (3,606,343) |
| (37,521,759) | - | (37,521,759) |
| 1,342,776 | - | 1,342,776 |
| (4,309,739) | - | (4,309,739) |
| 25,514,343 | - | 25,514,343 |
| (380,159) | - | (380,159) |
| <u>(18,960,881)</u> | <u>-</u> | <u>(18,960,881)</u> |
| - | 22,396 | 22,396 |
| - | 15,897,921 | 15,897,921 |
| - | 4,800,782 | 4,800,782 |
| - | 455,491 | 455,491 |
| - | (95,104) | (95,104) |
| <u>-</u> | <u>21,081,486</u> | <u>21,081,486</u> |
| <u>(18,960,881)</u> | <u>21,081,486</u> | <u>2,120,605</u> |
| 15,624,911 | - | 15,624,911 |
| 3,732,709 | - | 3,732,709 |
| 1,786,589 | - | 1,786,589 |
| 19,235,559 | - | 19,235,559 |
| 1,594,432 | - | 1,594,432 |
| 1,107,537 | - | 1,107,537 |
| 579,840 | - | 579,840 |
| 79,899 | - | 79,899 |
| 602,517 | (25,014) | 577,503 |
| 879,853 | - | 879,853 |
| 3,686,032 | (53,002) | 3,633,030 |
| 23,639 | 97,026 | 120,665 |
| <u>48,933,517</u> | <u>19,010</u> | <u>48,952,527</u> |
| <u>450,000</u> | <u>(450,000)</u> | <u>-</u> |
| 30,422,636 | 20,650,496 | 51,073,132 |
| <u>149,927,579</u> | <u>58,676,537</u> | <u>208,604,116</u> |
| <u>\$ 180,350,215</u> | <u>\$ 79,327,033</u> | <u>\$ 259,677,248</u> |

See accompanying notes to basic financial statements.

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GOVERNMENTAL FUNDS

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General fund is used to account for fiscal resources which are dedicated to governmental operations of the City, and not required to be accounted for in another fund.

HOUSING SUCCESSOR FUND

The Housing Successor Fund is used to account for revenues received and expenditures made for affordable housing. The primary sources of revenue are from loan repayments generated from the use of the former Brea Redevelopment Agency's Low and Moderate Income Housing Funds.

CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund is used to account for the costs of constructing street improvements, parks and other public improvements not normally included within the other Capital Projects Funds. Financing is provided by Federal and State Grant Revenues and interfund transfers from the non-major Special Revenue Funds and General Fund.

NON-MAJOR GOVERNMENTAL FUNDS

Non-major governmental funds are those governmental funds which do not meet the criteria of a major fund. For reporting purposes in this section, they are combined together as Non-major Governmental Funds.

CITY OF BREA, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | | Special Revenue Fund | Capital Projects Fund |
|---|----------------------|-------------------------|--------------------------|
| | General | Housing Successor | Capital Improvements |
| Assets: | | | |
| Cash and investments | \$ 24,824,722 | \$ 2,755,135 | \$ 10,381,355 |
| Prepaid costs | 8,680 | - | - |
| Receivables: | | | |
| Taxes | 139,452 | - | - |
| Accounts | 1,140,697 | 6,923 | - |
| Interest | 415,787 | 1,712,669 | - |
| Notes and loans | - | 16,379,681 | - |
| Due from other funds | 1,516,469 | - | - |
| Due from other governments | 5,544,805 | - | 5,155,790 |
| Due from Successor Agency | 603,568 | - | 4,781,012 |
| Advances to other funds | 130,882 | - | - |
| Land held for resale | - | 800,000 | - |
| Restricted assets: | | | |
| Cash and investments | 7,297,623 | 1,726,001 | 99,343 |
| Cash and investments with fiscal agents | 259,380 | - | - |
| Total assets | \$ 41,882,065 | \$ 23,380,409 | \$ 20,417,500 |
| Liabilities, deferred inflows of resources, and fund balances: | | | |
| Liabilities: | | | |
| Account payable | \$ 1,197,116 | \$ 3,855 | \$ 2,818,918 |
| Accrued liabilities | 1,371,008 | - | - |
| Unearned revenues | 1,195,341 | - | 142,150 |
| Deposits payable | 301,284 | 917 | - |
| Due to other funds | - | - | 5,135,758 |
| Due to other governments | 237,965 | - | - |
| Advances from other funds | - | - | - |
| Total liabilities | 4,302,714 | 4,772 | 8,096,826 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenues | 1,486,014 | 2,654,121 | 4,590,032 |
| Fund balances (deficit): | | | |
| Nonspendable | 139,562 | - | - |
| Restricted | 8,112,011 | 20,721,516 | 7,730,642 |
| Committed | 867,841 | - | - |
| Assigned | 12,270,563 | - | - |
| Unassigned | 14,703,360 | - | - |
| Total fund balances | 36,093,337 | 20,721,516 | 7,730,642 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 41,882,065 | \$ 23,380,409 | \$ 20,417,500 |

See accompanying notes to basic financial statements.

| Non-major Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|
| \$ 11,848,459 | \$ 49,809,671 |
| - | 8,680 |
| 24,321 | 163,773 |
| - | 1,147,620 |
| - | 2,128,456 |
| 1,772,181 | 18,151,862 |
| 3,900,000 | 5,416,469 |
| 307,214 | 11,007,809 |
| - | 5,384,580 |
| - | 130,882 |
| - | 800,000 |
| - | 9,122,967 |
| - | 259,380 |
| <u>\$ 17,852,175</u> | <u>\$ 103,532,149</u> |

| | |
|----------------------|-----------------------|
| \$ 125,238 | \$ 4,145,127 |
| - | 1,371,008 |
| - | 1,337,491 |
| - | 302,201 |
| - | 5,135,758 |
| 1,559,181 | 1,797,146 |
| 12,157 | 12,157 |
| <u>1,696,576</u> | <u>14,100,888</u> |
| - | <u>8,730,167</u> |
| - | 139,562 |
| 16,165,252 | 52,729,421 |
| - | 867,841 |
| - | 12,270,563 |
| (9,653) | 14,693,707 |
| <u>16,155,599</u> | <u>80,701,094</u> |
| <u>\$ 17,852,175</u> | <u>\$ 103,532,149</u> |

See accompanying notes to basic financial statements.

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CITY OF BREA, CALIFORNIA

**RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

| | | |
|-------------------------------------|----|------------|
| Fund balances of governmental funds | \$ | 80,701,094 |
|-------------------------------------|----|------------|

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

Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity. Those capital assets consist of:

| | | | |
|--|----|---------------|-------------|
| Capital assets, depreciable and nondepreciable | \$ | 330,099,378 | |
| Accumulated depreciation | | (124,482,525) | 205,616,853 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. Those long term liabilities consist of:

| | | |
|------------------------|-------------|-------------|
| Lease revenue bonds | (2,760,000) | |
| Capital leases payable | (3,658,172) | |
| Compensated absences | (2,392,479) | (8,810,651) |

| | |
|--|----------|
| Accrued interest payable for the current portion of interest due on bonds does not require the use of current financial resources and therefore has not been reported in the governmental funds. | (88,919) |
|--|----------|

Amounts reported for net pension liability are not due in the current period and therefore are not reported in the governmental funds. Related components that will affect the net pension liability in future measurement years are reported as deferred outflows and deferred inflows of resources and are not reported in the governmental funds.

| | | |
|--|---------------|---------------|
| Net pension liability | (108,230,830) | |
| Total OPEB liability | (20,417,012) | |
| Deferred outflows of resources related to pensions | 23,269,883 | |
| Deferred outflows of resources related to OPEB | 884,346 | |
| Deferred inflows of resources related to pensions | (1,982,669) | |
| Deferred inflows of resources related to OPEB | (1,680,817) | (108,157,099) |

| | |
|--|-----------|
| Revenues reported as unavailable revenues in the governmental funds do not provide current financial resources but are recognized in the in the statement of activities. | 8,730,167 |
|--|-----------|

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows and inflows of resources, and liabilities of the internal service funds are included in governmental activities in the statement of net position.

2,358,770

| | | |
|--|-----------|--------------------|
| Net Position of Governmental Activities | \$ | 180,350,215 |
|--|-----------|--------------------|

See accompanying notes to basic financial statements.

CITY OF BREA, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | | Special Revenue Fund | Capital Projects Fund |
|--|----------------------|-------------------------|--------------------------|
| | General | Housing Successor | Capital Improvements |
| Revenues: | | | |
| Taxes | \$ 38,986,972 | \$ - | \$ - |
| Licenses and permits | 584,841 | - | - |
| Intergovernmental | 9,297,372 | - | 13,503,439 |
| Charges for services | 3,862,112 | - | 481,960 |
| Investment income, net | 529,131 | 12,732 | 36,521 |
| Fines and forfeitures | 819,914 | - | - |
| Developer contributions | - | - | 105,514 |
| Rental income | 1,336,756 | - | - |
| Other revenues | 2,603,193 | 324,722 | 732,762 |
| Total revenues | 58,020,291 | 337,454 | 14,860,196 |
| Expenditures: | | | |
| Current: | | | |
| General government | 5,283,304 | - | 81,293 |
| Public safety | 34,441,868 | - | - |
| Community development | 2,918,971 | 278,802 | - |
| Community services | 7,284,303 | - | - |
| Public works | 5,131,010 | - | - |
| Capital outlay | 403,166 | - | 20,795,469 |
| Debt service: | | | |
| Principal | 435,389 | - | - |
| Interest and fiscal charges | 383,551 | - | - |
| Total expenditures | 56,281,562 | 278,802 | 20,876,762 |
| Excess (deficiency) of revenues over (under) expenditures | 1,738,729 | 58,652 | (6,016,566) |
| Other financing sources (uses): | | | |
| Transfers in | 1,050,000 | - | 4,741,699 |
| Transfers out | (703,478) | - | - |
| Total other financing sources (uses) | 346,522 | - | 4,741,699 |
| Net change in fund balances | 2,085,251 | 58,652 | (1,274,867) |
| Fund balances, beginning of year | 34,008,086 | 20,662,864 | 9,005,509 |
| Fund balances, end of year | \$ 36,093,337 | \$ 20,721,516 | \$ 7,730,642 |

See accompanying notes to basic financial statements.

| Non-major Governmental Funds | Total Governmental Funds |
|------------------------------------|--------------------------------|
| \$ 2,087,490 | \$ 41,074,462 |
| - | 584,841 |
| 1,523,187 | 24,323,998 |
| 3,663,983 | 8,008,055 |
| (142) | 578,242 |
| 4,444 | 824,358 |
| - | 105,514 |
| - | 1,336,756 |
| 30 | 3,660,707 |
| <u>7,278,992</u> | <u>80,496,933</u> |
| 433 | 5,365,030 |
| 1,069,814 | 35,511,682 |
| 272,216 | 3,469,989 |
| - | 7,284,303 |
| 259,093 | 5,390,103 |
| - | 21,198,635 |
| - | 435,389 |
| - | 383,551 |
| <u>1,601,556</u> | <u>79,038,682</u> |
| <u>5,677,436</u> | <u>1,458,251</u> |
| - | 5,791,699 |
| <u>(4,499,524)</u> | <u>(5,203,002)</u> |
| <u>(4,499,524)</u> | <u>588,697</u> |
| 1,177,912 | 2,046,948 |
| <u>14,977,687</u> | <u>78,654,146</u> |
| <u>\$ 16,155,599</u> | <u>\$ 80,701,094</u> |

See accompanying notes to basic financial statements.

CITY OF BREA, CALIFORNIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 2,046,948 |
|--|----|-----------|

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expenses. Additionally, certain capital contributions are only reported as revenues on the government wide statement of activities.

| | | | |
|-----------------------|-------------------|--|------------|
| Capital outlay | \$ 13,922,983 | | |
| Depreciation | (7,163,642) | | |
| Capital contributions | <u>26,830,317</u> | | 33,589,658 |

The issuance of long-term debt (e.g., bonds, leases) provides current resources to governmental funds, while the repayment of long-term debt principal is an expenditure in the governmental funds; The issuance of debt increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.

Also, governmental funds report the effect of premiums, discounts when debt is first issued, whereas these amounts are amortized in the statement of activities.

| | | |
|-----------------------------------|--|---------|
| Capital leases principal payments | | 603,704 |
|-----------------------------------|--|---------|

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. These expenses consists of the following:

| | | |
|---|--|-------------|
| Changes in interest payable for long-term liabilities | | 2,924 |
| Changes in compensated absences | | 131,221 |
| Changes in total OPEB liabilities and related deferred outflows and inflows of resources | | (198,575) |
| Changes in net pension liabilities and related deferred outflows and inflows of resources | | (5,086,490) |

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.

47

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.

(666,801)

| | | |
|---|----|-------------------|
| Change in net position of governmental activities | \$ | <u>30,422,636</u> |
|---|----|-------------------|

See accompanying notes to basic financial statements.

PROPRIETARY FUNDS

MAJOR ENTERPRISE FUNDS

WATER UTILITY FUND

The Water Utility Fund is a Major Fund used to account for the operations of the City's water utility, which are operated in manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

SEWER UTILITY FUND

The Sewer Utility Fund is a Major Fund used to account for the operations of the City's sewer distribution lines, which are operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

NON-MAJOR ENTERPRISE FUNDS

Non-major proprietary funds are those proprietary funds which do not meet the criteria of a major fund. For reporting purposes in this section, they are combined together as Non-major Enterprise Funds.

GOVERNMENTAL ACTIVITIES

INTERNAL SERVICES FUNDS

The Internal Service Funds are used to allocate the cost of providing goods and services by one department to other department on a cost reimbursement basis.

CITY OF BREA, CALIFORNIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2018

| | Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|---|----------------------|----------------------|----------------------------------|----------------------|---|
| | Water Utility | Sewer Utility | Non-major Enterprise Funds | Total | |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 15,189,768 | \$ 3,544,242 | \$ 1,277,859 | \$ 20,011,869 | \$ 6,753,239 |
| Prepaid Expenses | 606,613 | - | - | 606,613 | 508,676 |
| Receivables: | | | | | |
| Accounts receivable | 3,473,235 | 362,705 | 1,002,431 | 4,838,371 | 5,913 |
| Due from other governments | 245,402 | - | 11,371 | 256,773 | - |
| Total current assets | 19,515,018 | 3,906,947 | 2,291,661 | 25,713,626 | 7,267,828 |
| Noncurrent assets: | | | | | |
| Restricted - Cash and investments with fiscal agent | 5,657,518 | - | - | 5,657,518 | - |
| Capital assets - net of accumulated depreciation | 86,932,333 | 18,249,770 | 1,327 | 105,183,430 | 5,124,043 |
| Equity in California Domestic Water Company | 11,475,827 | - | - | 11,475,827 | - |
| Advances to other funds | - | - | - | - | 289,255 |
| Total noncurrent assets | 104,065,678 | 18,249,770 | 1,327 | 122,316,775 | 5,413,298 |
| Total assets | 123,580,696 | 22,156,717 | 2,292,988 | 148,030,401 | 12,681,126 |
| Deferred outflows of resources: | | | | | |
| Deferred charge on refunding | 491,412 | - | - | 491,412 | - |
| Deferred pension related items | 967,573 | 368,929 | 929,143 | 2,265,645 | 987,464 |
| Deferred OPEB related items | 63,274 | 23,169 | 66,450 | 152,893 | 138,861 |
| Total deferred outflows of resources | 1,522,259 | 392,098 | 995,593 | 2,909,950 | 1,126,325 |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 582,009 | 15,261 | 296,175 | 893,445 | 258,345 |
| Accrued interest | 1,360,655 | - | - | 1,360,655 | - |
| Deposits payable | 259,545 | - | - | 259,545 | - |
| Due to other funds | - | - | 280,711 | 280,711 | - |
| Compensated absences, due within one year | 75,088 | 29,981 | 82,762 | 187,830 | 68,645 |
| Claims and judgments, due within one year | - | - | - | - | 1,908,119 |
| Bonds, notes, and capital leases, due within one year | 1,100,000 | - | - | 1,100,000 | - |
| Total current liabilities | 3,377,297 | 45,242 | 659,648 | 4,082,186 | 2,235,109 |
| Non-current liabilities: | | | | | |
| Advances from other funds | 407,980 | - | - | 407,980 | - |
| Compensated absences, due in more than one year | 25,029 | 9,994 | 27,587 | 62,610 | 22,882 |
| Claims and judgments, due in more than one year | - | - | - | - | 3,113,247 |
| Net pension liability | 5,075,969 | 2,315,736 | 5,138,779 | 12,530,484 | 3,871,691 |
| Total OPEB liability | 1,391,875 | 509,664 | 1,461,728 | 3,363,267 | 2,085,009 |
| Bonds, notes, and capital leases, due in more than one year | 49,792,301 | - | - | 49,792,301 | - |
| Total noncurrent liabilities | 56,693,154 | 2,835,394 | 6,628,094 | 66,156,642 | 9,092,829 |
| Total liabilities | 60,070,451 | 2,880,635 | 7,287,742 | 70,238,828 | 11,327,938 |
| Deferred inflows of resources | | | | | |
| Deferred pension related items | 361,458 | 248,620 | 362,019 | 972,097 | 117,009 |
| Deferred OPEB related items | 112,278 | 41,113 | 117,913 | 271,304 | 134,823 |
| Total Deferred Inflows of Resources | 473,736 | 289,733 | 479,932 | 1,243,401 | 251,832 |
| Net position (deficit): | | | | | |
| Net investment in capital assets | 40,096,047 | 18,249,770 | 1,327 | 58,347,144 | 5,124,043 |
| Restricted for debt service | 5,657,518 | - | - | 5,657,518 | - |
| Unrestricted | 18,805,203 | 1,128,677 | (4,480,420) | 15,453,460 | (2,896,362) |
| Total net position (deficit) | \$ 64,558,768 | \$ 19,378,447 | \$ (4,479,093) | \$ 79,458,122 | \$ 2,227,681 |
| Reconciliation of Net Position to the Statement of Net Position | | | | | |
| Net Position per Statement of Net Position - Proprietary Funds | | | | 79,458,122 | |
| Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds | | | | (57,480) | |
| Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds | | | | (73,609) | |
| Net Position per Statement of Net Position | | | | \$ 79,327,033 | |

See accompanying notes to basic financial statements.

CITY OF BREA, CALIFORNIA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Enterprise Funds | | | | Governmental Activities |
|---|----------------------|----------------------|----------------------------------|----------------------|----------------------------|
| | Water Utility | Sewer Utility | Non-major Enterprise Funds | Total | Internal Service Funds |
| Operating revenues: | | | | | |
| Charges for services | \$ 22,344,336 | \$ 2,274,485 | \$ 4,920,504 | \$ 29,539,325 | \$ 10,010,898 |
| Connection fees | 192,182 | 18,965 | - | 211,147 | - |
| Fines and forfeitures | 219,923 | - | 131 | 220,054 | - |
| Other revenues | 128,666 | (53,676) | 920,790 | 995,780 | 592,499 |
| Total operating revenues | 22,885,107 | 2,239,774 | 5,841,425 | 30,966,306 | 10,603,397 |
| Operating expenses: | | | | | |
| Personnel services | 3,550,913 | 1,115,573 | 2,667,673 | 7,334,159 | 4,376,494 |
| Maintenance and operation | 1,589,232 | 286,413 | 2,774,101 | 4,649,746 | 3,751,901 |
| Cost of purchased water | 6,832,417 | - | - | 6,832,417 | - |
| Claims and judgements | - | - | - | - | 2,287,760 |
| Depreciation expense | 2,309,560 | 482,770 | 938 | 2,793,268 | 795,071 |
| Total operating expenses | 14,282,122 | 1,884,756 | 5,442,712 | 21,609,590 | 11,211,226 |
| Operating income | 8,602,985 | 355,018 | 398,713 | 9,356,716 | (607,829) |
| Nonoperating revenues (expenses): | | | | | |
| Federal interest subsidy on debt | 490,805 | - | - | 490,805 | - |
| Intergovernmental revenues | - | - | 11,154 | 11,154 | - |
| Interest revenue | - | 842 | 1,014 | 1,856 | 468 |
| Interest expense | (3,016,165) | - | - | (3,016,165) | - |
| Change in equity of California Domestic Water Company | (53,002) | - | - | (53,002) | - |
| Gain (loss) on disposal of capital assets | 97,026 | - | - | 97,026 | 5,648 |
| Total nonoperating revenues (expenses) | (2,481,336) | 842 | 12,168 | (2,468,326) | 6,116 |
| Income before transfers | 6,121,649 | 355,860 | 410,881 | 6,888,390 | (601,713) |
| Transfers and capital contributions: | | | | | |
| Transfers in | - | - | - | - | 61,303 |
| Transfers out | - | - | (450,000) | (450,000) | (200,000) |
| Developer contributions | 9,828,045 | 4,457,670 | - | 14,285,715 | - |
| Total transfers and capital contributions | 9,828,045 | 4,457,670 | (450,000) | 13,835,715 | (138,697) |
| Change in net position | 15,949,694 | 4,813,530 | (39,119) | 20,724,105 | (740,410) |
| Net position (deficit): | | | | | |
| Net position at beginning of year | 50,036,469 | 15,087,588 | (2,940,945) | 62,183,112 | 5,029,586 |
| Restatement of net position | (1,427,395) | (522,671) | (1,499,029) | (3,449,095) | (2,061,495) |
| Net position (deficit) at beginning of year, as restated | 48,609,074 | 14,564,917 | (4,439,974) | 58,734,017 | 2,968,091 |
| Net position (deficit) at end of year | \$ 64,558,768 | \$ 19,378,447 | \$ (4,479,093) | \$ 79,458,122 | \$ 2,227,681 |

Reconciliation of Changes in Net Position to the Statement of Activities:

| | |
|---|----------------------|
| Changes in Net Position, per the Statement of Revenues, Expense and Changes in Fund Net Position - Proprietary Funds | \$ 20,724,105 |
| Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds | (73,609) |
| Changes in Net Position of Business-Type Activities per Statement of Activities | \$ 20,650,496 |

See accompanying notes to basic financial statements.

CITY OF BREA, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | Enterprise Funds | | | | Governmental Activities |
|---|----------------------|---------------------|----------------------------|----------------------|-------------------------|
| | Water Utility | Sewer Utility | Non-major Enterprise Funds | Total | Internal Service Funds |
| Cash flows from operating activities: | | | | | |
| Cash received from customers and users | \$ 22,357,730 | \$ 2,289,270 | \$ 5,853,490 | \$ 30,500,490 | \$ 10,617,425 |
| Cash payments to suppliers for goods and services | (6,467,915) | (276,534) | (2,776,388) | (9,520,837) | (3,492,686) |
| Cash payments to employees for services | (3,348,378) | (1,038,890) | (2,565,438) | (6,952,706) | (6,575,155) |
| Net cash provided by operating activities | 12,541,437 | 973,846 | 511,664 | 14,026,947 | 549,584 |
| Cash flows from noncapital financing activities: | | | | | |
| Cash transfer out | - | - | (450,000) | (450,000) | (200,000) |
| Cash transfer in | - | - | - | - | 61,303 |
| Advances received (repaid) from (to) other funds | (813,639) | - | 3,324 | (810,315) | 576,863 |
| Intergovernmental revenues | - | - | 11,154 | 11,154 | - |
| Federal interest subsidy on debt | 490,805 | - | - | 490,805 | - |
| Net cash provided by (used for) noncapital financing activities | (322,834) | - | (435,522) | (758,356) | 438,166 |
| Cash Flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | (177,103) | (245,798) | - | (422,901) | (375,967) |
| Proceeds from sale of capital assets | 97,026 | - | - | 97,026 | 5,648 |
| Principal and interest paid on long-term debt | (3,785,092) | - | - | (3,785,092) | (173,762) |
| Net cash used for capital and related financing activities | (3,865,169) | (245,798) | - | (4,110,967) | (544,081) |
| Cash flows from investing activities: | | | | | |
| Interest received | (26,870) | 842 | (2,310) | (28,338) | 3,317 |
| Net cash provided by (used for) investing financing activities | (26,870) | 842 | (2,310) | (28,338) | 3,317 |
| Net Increase in cash and cash equivalents | 8,326,564 | 728,890 | 73,832 | 9,129,286 | 446,986 |
| Cash and cash equivalents at beginning of year | 12,520,722 | 2,815,352 | 1,204,027 | 16,540,101 | 6,306,253 |
| Cash and cash equivalents at end of year | \$ 20,847,286 | \$ 3,544,242 | \$ 1,277,859 | \$ 25,669,387 | \$ 6,753,239 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Operating income | \$ 8,602,985 | \$ 355,018 | \$ 398,713 | \$ 9,356,716 | \$ (607,829) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation | 2,309,560 | 482,770 | 938 | 2,793,268 | 795,071 |
| (Increase) decrease in accounts receivable | (281,975) | 49,496 | 652 | (231,827) | 1,899 |
| (Increase) decrease in prepaid expense | 1,894,223 | - | - | 1,894,223 | (508,676) |
| (Increase) decrease due from other governments | (245,402) | - | 11,413 | (233,989) | - |
| Decrease (increase) in accounts payable | 49,396 | 9,879 | 80,028 | 139,303 | (5,651) |
| (Decrease) in accrued liabilities | (82,694) | (30,718) | (82,315) | (195,727) | (55,760) |
| Increase in deposit payables | 10,115 | - | - | 10,115 | - |
| Increase in claims and judgements | - | - | - | - | 524,175 |
| (Decrease) in due to other funds | - | - | (159,183) | (159,183) | - |
| Increase (decrease) in compensated absences | (3,998) | 1,442 | (12,065) | (14,621) | (1,192) |
| Increase in net pension liability | 275,743 | 101,022 | 259,321 | 636,086 | 388,070 |
| Increase (decrease) in total OPEB liability | 13,484 | 4,937 | 14,162 | 32,583 | 19,477 |
| Total adjustments | 3,938,452 | 618,828 | 112,951 | 4,670,231 | 1,157,413 |
| Net cash provided by operating activities | \$ 12,541,437 | \$ 973,846 | \$ 511,664 | \$ 14,026,947 | \$ 549,584 |
| Non-cash investing, capital, and financing activities: | | | | | |
| Amortization of bond discount and premium | \$ (63,107) | \$ - | \$ - | \$ (63,107) | \$ - |
| Amortization of loss on refunding | 163,804 | - | - | 163,804 | - |
| Change in equity of California Domestic Water Company | (53,002) | - | - | (53,002) | - |
| Capital contributions | 9,828,045 | 4,457,670 | - | 14,285,715 | - |

See accompanying notes to basic financial statements.

FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds, a type of Fiduciary Funds, are used to account for assets held by the City as an agent for other governmental entities, private organizations, or individuals.

PRIVATE-PURPOSE TRUST FUND

Private-Purpose Trust Fund, a type of Fiduciary Funds, is used to account for assets held by the City as Successor Agency of the former Brea Redevelopment Agency.

CITY OF BREA, CALIFORNIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| | Agency Funds | Private- Purpose Trust Fund Successor Agency of the Former RDA |
|---|-------------------------|---|
| Assets: | | |
| Cash and investments | \$ 5,454,634 | \$ 2,107,776 |
| Receivables: | | |
| Taxes | 7,810 | - |
| Accounts | 17,361 | - |
| Accrued interest | - | 67,831 |
| Deferred loans | - | 1,992,985 |
| Due from other governments | 19,065 | 426,000 |
| Prepaid insurance | - | 95,430 |
| Restricted assets: | | |
| Cash and investments with fiscal agents | 1,285,572 | 18,090,111 |
| Capital assets: | | |
| Capital assets, net of accumulated depreciation | 275,324 | - |
| Total assets | \$ 7,059,766 | 22,780,133 |
| Deferred outflows of resources: | | |
| Deferred charges on refunding | \$ - | 8,168,036 |
| Liabilities: | | |
| Accounts payable | 238,112 | 1,695,121 |
| Accrued liabilities | 537,995 | - |
| Accrued interest | - | 2,143,900 |
| Due to the City of Brea | - | 5,384,580 |
| Due to external parties/other agencies | 6,283,659 | - |
| Long-term liabilities: | | |
| Due in one year | - | 9,630,000 |
| Due in more than one year | - | 144,578,798 |
| Total liabilities | \$ 7,059,766 | 163,432,399 |
| Net Position (deficit): | | |
| Held in trust for other purposes | | \$ (132,484,230) |

See accompanying notes to basic financial statements.

CITY OF BREA, CALIFORNIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Private-Purpose Trust Fund Successor Agency of the Former RDA |
|---|--|
| Additions: | |
| Taxes | \$ 16,919,118 |
| Interest and changes in fair value of investments | 266,111 |
| Sale of assets | 244,706 |
| Total additions | <u>17,429,935</u> |
| Deductions: | |
| Administrative expenses | 278,677 |
| Contractual services | 30,076 |
| Interest expense and cost of issuance | 7,298,674 |
| Payment to the County of Orange | 2,440,183 |
| Payments to the City of Brea | 5,272,723 |
| Pass through agreement payments | 1,581,169 |
| Project expenses | 89,090 |
| Total deductions | <u>16,990,592</u> |
| Changes in net position | 439,343 |
| Net position (deficit): | |
| Trust deficit, beginning of the year | <u>(132,923,573)</u> |
| Trust deficit, end of the year | <u>\$ (132,484,230)</u> |

See accompanying notes to basic financial statements.

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CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Brea, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City of Brea are described below.

a. Description of the Reporting Entity

The City of Brea was incorporated on February 23, 1917, under the general laws of the State of California. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, cultural recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Brea and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City are the Brea Public Financing Authority, the Brea Community Benefit Financing Authority and the Midbury Assessment Authority.

Since City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations, so data from these units is combined therein. A brief description of each component unit follows:

Brea Public Financing Authority

The Brea Public Financing Authority was created by a joint exercise of powers agreement between the City of Brea and the former Redevelopment Agency of the City of Brea on November 17, 1987. In April 1988, the Brea-Olinda Unified School District became an associate member of the Authority. The purpose of the Brea Public Financing Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The Brea Public Financing Authority is administered by the Board who are the members of the City Council and the Mayor. The Brea Public Financing Authority's primary source of income is installment sale and lease payments received from the City, which will be used to meet the debt service requirements on debt issues. The Brea Public Financing Authority does not have taxing power. Separate financial statements are not prepared for the Brea Public Financing Authority.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Description of the Reporting Entity (Continued)

Brea Community Benefit Financing Authority

The Brea Community Benefit Financing Authority was created by a joint exercise of powers agreement between the City of Brea and the Industrial Development Authority of the City of Brea on July 22, 2014. The purpose of the Brea Community Benefit Financing Authority is to provide, through the issuance of debt, financing for various capital improvements. The Brea Community Benefit Financing Authority is administered by the Board who are the members of the City Council and the Mayor. The Brea Community Benefit Financing Authority's primary source of income is installment sale payments from the City, which will be used to meet the debt service requirements on debt issues. Separate financial statements are not prepared for the Brea Community Benefit Financing Authority.

Midbury Assessment Authority

The Midbury Assessment Authority was created by a joint exercise of powers agreement between the City of Brea, Los Angeles County, and Orange County on May 18, 1999. The purpose of the authority is to provide a means for each party to the agreement to contribute money to street improvement projects, to form an assessment district and to levy an assessment to finance the balance of the projects. The Authority is administered by the Board who are the members of the City Council and the Mayor. The Authority's primary source of income is from new assessments that result in additional taxes. Separate financial statements are not prepared for the Midbury Assessment Authority.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary activities of the City are not included in these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of sales tax revenue, which are considered available if collected within 90 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City's fiduciary funds consist of agency funds and a private purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private purpose trust funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all general revenues of the City not specifically levied or collected for other City funds, and for expenditures related to the rendering of general services by the City. The General Fund is used to account for all resources not required to be accounted for in another fund.
- The **Housing Successor Special Revenue Fund** accounts for the housing assets as a result of the dissolution of the former Brea Redevelopment Agency. Resources generated from these assets are to be used for low to moderate income housing purposes. The primary sources of revenue are from loan repayments generated from the use of the former Brea Redevelopment Agency's Low and Moderate Income Housing Funds.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

- The **Capital Improvements Capital Projects Fund** accounts for the costs of constructing street improvements, parks and other public improvements not normally included within the other Capital Projects Funds. Financing is provided by federal, state and county grant revenues and interfund transfers from the General Fund, and Special Revenue Funds.

The City reports the following major proprietary funds:

- The **Water Utility Enterprise Fund** accounts for the City's water utility operations, which are financed and operated in a manner similar to a private enterprise. The cost (expenses, including depreciation) of providing these services to the general public on a continuing basis is financed or recovered primarily through user charges.
- The **Sewer Utility Enterprise Fund** accounts for the operations of the City's sewer distribution lines, which are operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

- **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes.
- **Debt Service Funds** are used to account for the accumulation of resources for and payment of interest and principal on long-term debt.
- **Capital Projects Funds** are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- **Internal Service Funds** account for financial transactions related to repairs, replacement, and maintenance of City-owned buildings and vehicles and to account for the City's self-insurance programs and operations of the internal information technology services program. These services are provided to other departments or agencies of the City on a cost reimbursement basis.
- **Agency Funds** account for assets held by the City in a custodial capacity as a trustee or as an agent. These assets include deposits from assessment district's property owners. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- **Private-Purpose Trust Fund** accounts for the assets and liabilities of the former redevelopment agency and the allocated revenue to pay estimated installment payments of enforceable obligations until the obligations of the former redevelopment agency are paid in full and assets have been liquidated.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual net position balances in internal service funds are allocated back to the governmental and enterprise funds that they originally charged.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprises Funds and Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

Cash and Investments

Cash includes demand deposits, certificates of deposits and savings account balances. The California Government Code and the City of Brea's investment policy permit the City of Brea to invest in various instruments and pools. Investments are reported in the accompanying balance sheet at fair value, except for investments that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

The City reports its investments at fair value in the balance sheet. Interest earnings, realized gains and losses and, changes in the fair value of investments are recognized as revenue from the use of money and property in the operating statement. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The City pools cash and investments of all funds except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

The City applies GASB Statement No. 72, *Fair Value Measurements and Application* for determining fair value measurements, applying fair value to investments, and disclosures related to the fair value hierarchy. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of Brea. Cash equivalents have an original maturity date of three months or less from the date of purchase. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash.

Restricted Cash and Investments

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Additionally, the City has established the PARS Post-Employment Benefits Trust as a tax-exempt trust within the meaning of Section 115 of the IRS Code to accumulate resources to “stabilize” the amount of its General fund resources that it will need to meet future contributions requirements to CalPERS. The balances and activities of the Trust are irrevocably dedicated to funding future obligations to CalPERS. The assets will benefit the City through reduced future cash flow demands on the City’s General fund resources, and continue to be assets of the City. These amounts are reflected as restricted cash and investments in the General fund.

Receivables and Payables

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

The amounts recorded as a receivable due from other governments include sales taxes, property taxes and grant revenues collected or provided by federal, state, county and city governments and unremitted to the City as of June 30, 2018. The County of Orange assesses bills and collects property taxes for the City.

All trade and tax receivables are shown net of an allowance for uncollectibles.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The Water Utility fund also reports a prepaid expense for water purchased in advance, to be used in future periods. The Vehicle Replacement fund also reports a prepaid expense for equipment purchased in advanced, to be used once received.

Inventories

Inventories of materials and supplies are carried at cost. The City records inventory using a first-in-first-out (FIFO) basis and the consumption method.

Land Held for Resale

The former Brea Redevelopment Agency acquired land that was primarily used to develop blighted properties. During the year, the City acquired the land from the Successor Agency. The City records these parcels as land held for resale in its financial statements. The property is being carried at cost or, if lower, the estimated net realizable value upon entering into an agreement to sell the property. Values recorded on the balance sheet are at cost.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets and infrastructure are defined by the City as assets with an initial, individual cost of more than \$5,000 and \$100,000 respectively and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

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

| Asset | Years |
|----------------|---------|
| Buildings | 40 - 50 |
| Computers | 4 - 5 |
| Equipment | 4 - 10 |
| Improvements | 10 - 50 |
| Infrastructure | 40 - 50 |
| Software | 5 - 10 |
| Vehicles | 4 - 10 |

The City classifies certain water rights as intangible assets with an indefinite useful life as there are no legal, contractual or other factors that limit the benefits associated with the water rights.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three items that qualify for reporting in this category. One is deferred charges on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. Deferred charges on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is deferred pension and OPEB related items reported in the government-wide statement of net position and the proprietary funds statement of net position. The City reports deferred outflows of resources for pension and OPEB contributions made after the actuarial measurement date. This amount is deferred and will be expensed in the following fiscal year. Other deferred outflows of resources are reported for the net difference between projected and actual earning on pension plan investments, and changes of assumptions. These will be amortized over a five-year period on a straight-line basis for investment earnings and over the expected average remaining service lifetime.

In addition to liabilities, the balance sheet or statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports two items as deferred inflows of resources. First, unavailable revenues arise only under a modified accrual basis of accounting, and accordingly, is reported only in the governmental funds balance sheet. These amounts reflect resources that have been earned but not received within the period of availability. Therefore, this does not provide an available financial resource in the current period, and the recognition is deferred until these criteria have been met, as unavailable revenues. The other item is deferred pension and OPEB related items reported in the government-wide statement of net position and the proprietary funds statement of net position. These amounts are the result of differences between expected and actual experience and changes in assumptions. These will be recognized as pension or OPEB expense over the expected average remaining service lifetime.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

Compensated Absences

It is the City's policy for employees to accumulate earned but unused vacation and sick benefits. Permanent City employees earn from 10 to 20 vacation days a year, depending upon their length of employment, and 12 sick days a year. Employees may carry forward unused sick leave indefinitely. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave. Any unused sick leave is forfeited upon termination of employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, proprietary fund types in the fund financial statements, and in the fiduciary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund type statement of net position, or the statement of fiduciary net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Claims and Judgments

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the Internal Service Funds that account for the City's self-insurance activities.

Other Postemployment Benefits (OPEB)

OPEB expense, deferred outflows/inflows of resources related to OPEB, and an implied subsidy payment were used to measure the total OPEB liability. The City does not provide any cash subsidy towards the benefit, and there are no assets accumulated in a trust for the plan.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable Fund Balance – This amount indicates the portion of funds balances which cannot be spent because they are either not in spendable form such as prepaid items, inventories, land held for resale or loans/notes receivable, or legally or contractually required to be maintained intact, such as the principal portion of an endowment. Only the General Fund may report nonspendable fund balance for long-term interfund receivables and land held for resale.

Restricted Fund Balance – This amount indicates the portion of fund balances which has been restricted in one of two ways a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Long-term interfund receivables and land held for resale in governmental funds other than the General Fund are included within restricted fund balance.

Committed Fund Balance – This amount indicates the portion of fund balances which can only be used for specific purposes pursuant to a formal resolution of the City Council.

Assigned Fund Balance – This amount indicates the portion of fund balances which is constrained by the City's intent to be used for specific purpose, but is neither restricted nor committed. The Administrative Services Director is authorized to determine and define the amount of assigned fund balances, which was established by City Council through resolution.

Unassigned Fund Balance – This includes the excess residual amounts in the General Fund and the residual deficit of all other governmental funds which have not been restricted, committed, or assigned to specific purposes.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Continued)

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the adoption of another resolution. City Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

In the governmental-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. As of June 30, 2018, \$53,874,959 of net position is restricted by enabling legislation.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

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

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Property Tax

Property tax revenue is recognized on the modified accrual basis that is, in the fiscal year for which the taxes have been levied, providing they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January the preceding fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

f. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. Effect of New Accounting Standards

During the fiscal year ended June 30, 2018, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-2018 fiscal year. The City implemented this pronouncement effective July 1, 2017.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-2018 fiscal year. The City implemented this pronouncement effective July 1, 2017.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Pronouncements Issued But Not Yet Adopted

The GASB has issued pronouncements that have an effective date subsequent to June 30, 2018, which may impact future financial presentations:

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The City has not determined the effect of the Statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The City has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year. The City has not determined the effect of the Statement.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Statement is effective for the reporting periods beginning after June 15, 2018, or 2018-2019 fiscal year. The City has not determined the effect of the Statement.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Pronouncements Issued But Not Yet Adopted (Continued)

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year. The City has not determined the effect of the Statement.

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2018, or 2019-2020. The City has not determined the effect of the Statement.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances or Net Position

The following individual nonmajor funds have a deficit at June 30, 2018:

| | |
|---|-------------|
| Community Development Block Grant Special Revenue Fund | \$ (4,794) |
| Midbury Assembly Authority Capital Projects Fund | (4,859) |
| Risk Management Internal Service Fund | (56,934) |
| Information Technology Internal Service Fund | (1,217,694) |
| Building Occupancy Internal Service Fund | (42,926) |
| Sanitation Enterprise Fund | (2,510,340) |
| Information Technology External Support Enterprise Fund | (2,216,760) |

For the Community Development Block Grant special revenue fund and the Midbury Assembly Authority capital projects fund, the City expects to eliminate these deficits with anticipated future revenues from grants, special assessments and fee for services. For the Risk Management, Information Technology, Building Occupancy, Sanitation, and Information Technology External Support funds, the deficits are the result of pension and OPEB liabilities, which will be eliminated through future charges.

At June 30, 2018, the Successor Agency of the Former RDA Private-purpose Trust Fund had a deficit net position amount of \$132,484,230. The deficit balance will be eliminated with future property tax revenue.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS

As of June 30, 2018, cash and investments are classified in the accompanying financial statements as follows:

| | Statement of Net Position | Statement of Fiduciary Net Position | Total |
|---|------------------------------|---|-----------------------|
| Cash and investments | \$ 76,574,779 | \$ 7,562,410 | \$ 84,137,189 |
| Restricted assets: | | | |
| Cash and investments | 9,122,967 | - | 9,122,967 |
| Cash and investments with fiscal agents | 5,916,898 | 19,375,683 | 25,292,581 |
| Total cash and investments | <u>\$ 91,614,644</u> | <u>\$ 26,938,093</u> | <u>\$ 118,552,737</u> |

Cash and investments as of June 30, 2018, consist of the following:

| | |
|---|-----------------------|
| Cash on hand | \$ 7,928 |
| Deposits with financial institutions | 3,440,010 |
| Investments | 80,689,251 |
| Restricted cash and investments | 9,122,967 |
| Cash and investments with fiscal agents | <u>25,292,581</u> |
| Total cash and investments | <u>\$ 118,552,737</u> |

The City of Brea maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

a. Cash Deposits

The carrying amount of the City's cash deposits was \$3,440,010 at June 30, 2018. Bank balances were \$3,859,575 at that date. The \$419,565 difference represents outstanding checks and other reconciling items. As of June 30, 2018, the City's deposits with financial institutions were covered by FDIC up to \$250,000, and the remaining amounts of \$3,609,575 were collateralized as described below.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure a City's deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

b. Investments

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

Funds of the City, other than bond proceeds and cash deposits held in restricted accounts, may be invested in any instrument allowable under current legislation of the State of California (Government Code Section 53600 et sec.) so long as the investment is appropriate and consistent with the City's investment policy. The following investments are authorized:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage or Amount of Portfolio | Maximum Investment In One Issuer |
|--|------------------|---|----------------------------------|
| U.S. Treasury Obligations (Bills, Notes and Bonds) | 5 years | No limit | No limit |
| U.S. Government Sponsored Enterprise Securities* | 5 years | No limit | No limit |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Repurchase Agreements | 1 year | No limit | No limit |
| Certificates of Deposit | 5 years | 30% | No limit |
| Negotiable Certificates of Deposit | 5 years | 30% | No limit |
| Passbook Savings Accounts/Interest Bearing Investment Accounts | n/a | No limit | No limit |
| Medium Term Corporate Notes | 5 years | 30% | No limit |
| Bank Money Market Accounts | 5 years | 20% | 10% |
| California Local Agency Investment Fund** | n/a | \$65,000,000 | No limit |
| County of Orange Investment Fund (County Pool)** | n/a | No limit | No limit |
| Asset Backed Securities | 5 years | 10% | No limit |
| Supranationals | 5 years | 15% | 5% |

*maximum of 5% in callable bonds issued by such agencies

**State and County investment pools together cannot exceed 60% of the maturity value of the portfolio at the time of purchase, and no more than 40% of the maturity value at the time of purchase can be deposited in any one particular pool.

Provisions of Government Code Section 53601 are to be adhered to at all times. Additionally, the City will use the guidelines established by the joint committee of the California Municipal Treasurers Association and the California Society of Municipal Finance Officers as the basis for investing in government investment pools.

For purposes of complying with legal investment limitations, the percentage referenced above refers to the maturity value of the portfolio at the time of purchase.

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

b. Investments (Continued)

Investments in State Investment Pool

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. Each City may invest up to \$65,000,000. The fair value of the position in the investment pool is the same as the value of the pool shares. The balance available for withdrawal on demand are based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Restricted Cash & Investments

The City has established a Section 115 Trust to accumulate resources for future contributions to CalPERS. As of June 30, 2018, the City reported \$7,396,966 in restricted cash and investments. As of June 30, 2018, the City had \$7,297,623 of restricted cash and investments reported in the general fund in a Section 115 Trust restricted for future pension contributions and \$99,343 in a construction escrow account reported in the Capital Improvements fund. In January 2016, the City adopted an investment policy for the Section 115, which authorized the following investments:

- Debt obligations of the U.S. Government, its agencies, and Government Sponsored Enterprises
- Mortgage-Backed Securities
- Asset Backed Securities
- Collateralized Mortgage Obligations
- Commercial Mortgage-Backed Securities
- Corporate debt securities issued by U.S. or foreign entities including, but not limited to, limited partnerships, equipment trust certificates and enhanced equipment trust certificates
- Eligible instruments issued pursuant to SEC Rule 144(a)
- Municipal Bonds
- Money Market Mutual Funds

The portfolio will maintain a minimum weighted average quality of A- at all times. Individual securities shall have a minimum quality rating of Baa3 by Moody's or BBB- by Standard & Poor's (S&P).

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

c. Risk Disclosures

Disclosures Relating to Credit Risk

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

| Investment Type | Minimum legal rating | Not Rated | AAA | AA+ | AA- | AA |
|---|-------------------------|----------------------|----------------------|----------------------|---------------------|-------------|
| U.S. Treasury Obligations | N/A | \$ - | \$ - | \$ 13,810,841 | \$ - | \$ - |
| U.S. Government Sponsored Enterprise Securities | N/A | - | - | 15,480,106 | - | - |
| Coporate Notes | A | - | 3,288,389 | 1,299,678 | 2,166,663 | - |
| Money Market Mutual Funds | AAA | - | 37,605 | - | - | - |
| Asset Backed Securities | AA | - | 2,826,085 | - | - | - |
| Commercial Paper | A-1/A | - | - | - | - | - |
| California Local Agency Investment Fund | N/A | 25,591,322 | - | - | - | - |
| Supranational | AA | - | 3,061,267 | - | - | - |
| Restricted Cash and Investments - Section 115 Trust | | | | | | |
| Corporate Bonds | BBB- | - | - | 351,214 | 290,384 | - |
| Money Market Mutual Funds | N/A | 4,849,011 | - | - | - | - |
| Restricted Cash and Investments with Fiscal Agents | | | | | | |
| Money Market Mutual Funds | N/A | - | 20,805,088 | - | - | - |
| U.S. Treasury Obligations | N/A | - | - | 4,236,175 | - | - |
| U.S. Government Sponsored Enterprise Securities | N/A | - | - | 251,318 | - | - |
| Total | | <u>\$ 30,440,333</u> | <u>\$ 30,018,434</u> | <u>\$ 35,429,332</u> | <u>\$ 2,457,047</u> | <u>\$ -</u> |

| Investment Type | Minimum legal rating | A+ | A | BBB+ | BBB | Total |
|---|-------------------------|---------------------|----------------------|-------------------|-------------------|-----------------------|
| U.S. Treasury Obligations | N/A | \$ - | \$ - | \$ - | \$ - | \$ 13,810,841 |
| U.S. Government Sponsored Enterprise Securities | N/A | - | - | - | - | 15,480,106 |
| Coporate Notes | A | 2,335,357 | 10,017,939 | - | - | 19,108,026 |
| Money Market Mutual Funds | AAA | - | - | - | - | 37,605 |
| Asset Backed Securities | AA | - | - | - | - | 2,826,085 |
| Commercial Paper | A-1/A | - | 2,500,000 | - | - | 2,500,000 |
| California Local Agency Investment Fund | N/A | - | - | - | - | 25,591,322 |
| Supranational | AA | - | - | - | - | 3,061,267 |
| Restricted Cash and Investments - Section 115 Trust | | | | | | |
| Corporate Bonds | BBB- | 268,387 | 1,251,346 | 285,774 | 100,850 | 2,547,955 |
| Money Market Mutual Funds | N/A | - | - | - | - | 4,849,011 |
| Restricted Cash and Investments with Fiscal Agents | | | | | | |
| Money Market Mutual Funds | N/A | - | - | - | - | 20,805,088 |
| U.S. Treasury Obligations | N/A | - | - | - | - | 4,236,175 |
| U.S. Government Sponsored Enterprise Securities | N/A | - | - | - | - | 251,318 |
| Total | | <u>\$ 2,603,744</u> | <u>\$ 13,769,285</u> | <u>\$ 285,774</u> | <u>\$ 100,850</u> | <u>\$ 115,104,799</u> |

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City uses a third party investment manager to manage their investments, and has authority from City Council to execute purchases and sales of investments according to the parameters in their investment policy without the approval of management. Investments are held by another third party custodian designated by the City.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

c. Risk Disclosures (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer. Investments in any one issuer that represents 5% or more of the total City's investments are as follows:

| Issuer | Investment Type | Amount |
|--|-------------------------------------|---------------|
| Federal National Mortgage Association | U.S Government Sponsored Enterprise | \$ 10,494,516 |

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 25% of the City's portfolio will mature in one year or less. The only allowable exception to these maturity limits will be the investment for the bond proceeds for the Reserve Fund and/or the Section 115 trust.

As of June 30, 2018, the City had the following investments and original maturities:

| Investment Type | Investment Maturities (in Years) | | | | Total |
|---|----------------------------------|----------------------|----------------------|------------------------|-----------------------|
| | 12 months or less | 13 to 24 Months | 25 to 60 Months | More than 60 Months | |
| U.S. Treasury Obligations | \$ - | \$ 635,959 | \$ 13,174,882 | \$ - | \$ 13,810,841 |
| U.S. Government Sponsored Enterprise Securities | - | 3,466,719 | 12,013,387 | - | 15,480,106 |
| Corporate Bonds | 5,269,927 | 3,740,976 | 10,097,123 | - | 19,108,026 |
| Money Market Mutual Funds | 37,605 | - | - | - | 37,605 |
| Asset Backed Securities | 41,926 | 823,201 | 1,960,958 | - | 2,826,085 |
| Commercial Paper | 2,500,000 | - | - | - | 2,500,000 |
| California Local Agency Investment Fund | 25,591,322 | - | - | - | 25,591,322 |
| Supranational | - | 1,046,961 | 2,014,306 | - | 3,061,267 |
| Restricted Cash and Investments - Section 115 Trust | | | | | |
| Corporate Bonds | 408,188 | 587,610 | 785,737 | 766,420 | 2,547,955 |
| Money Market Mutual Funds | 4,749,668 | 99,343 | - | - | 4,849,011 |
| Restricted Cash and Investments with Fiscal Agents | | | | | |
| Money Market Mutual Funds | 20,805,088 | - | - | - | 20,805,088 |
| U.S. Treasury Obligations | - | 758,189 | 3,477,986 | - | 4,236,175 |
| U.S. Government Sponsored Enterprise Securities | - | - | 251,318 | - | 251,318 |
| | <u>\$ 59,403,725</u> | <u>\$ 11,158,958</u> | <u>\$ 43,775,697</u> | <u>\$ 766,420</u> | <u>\$ 115,104,799</u> |

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2018:

| Investment Type | Totals | Investments not Measured at Fair Value | Level | | |
|---|-----------------------|--|-------------|----------------------|-------------|
| | | | 1 | 2 | 3 |
| U.S. Treasury Obligations | \$ 13,810,841 | \$ - | \$ - | \$ 13,810,841 | \$ - |
| U.S. Government Sponsored Enterprise Securities | 15,480,106 | - | - | 15,480,106 | - |
| Corporate Bonds | 19,108,026 | - | - | 19,108,026 | - |
| Money Market Mutual Funds | 37,605 | 37,605 | - | - | - |
| Asset Backed Securities | 2,826,085 | - | - | 2,826,085 | - |
| Commercial Paper | 2,500,000 | - | - | 2,500,000 | - |
| California Local Agency Investment Fund | 25,591,322 | 25,591,322 | - | - | - |
| Supranational | 3,061,267 | - | - | 3,061,267 | - |
| Restricted Cash and Investments - Section 115 Trust | | | | | |
| Corporate Bonds | 2,547,955 | - | - | 2,547,955 | - |
| Money Market Mutual Funds | 4,849,011 | 4,849,011 | - | - | - |
| Restricted Cash and Investments with Fiscal Agents | | | | | |
| Money Market Mutual Funds | 20,805,088 | 20,805,088 | - | - | - |
| U.S. Treasury Obligations | 4,236,175 | - | - | 4,236,175 | - |
| U.S. Government Sponsored Enterprise Securities | 251,318 | - | - | 251,318 | - |
| | <u>\$ 115,104,799</u> | <u>\$ 51,283,026</u> | <u>\$ -</u> | <u>\$ 63,821,773</u> | <u>\$ -</u> |

Deposits and withdrawals related to the investments in LAIF and money market funds are made on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy these investments are uncategorized.

NOTE 4 – CALIFORNIA DOMESTIC WATER COMPANY (CDWC)

The City purchases 80.9% of its water for the Water Enterprise fund operations through the California Domestic Water Company (CDWC). CDWC is a private mutual water company, organized as a not-for-profit under Section Code 501(c)(12), which provides water primarily to wholesale customers in east Whittier, La Habra and Brea. CDWC has a wholly owned subsidiary, Cadway Inc. (Cadway), which owns and leases certain water rights to CDWC. Both CDWC and Cadway participate in the Pellissier Co-Tenancy. Cadway is treated as a C Corporation for federal and state tax purposes.

Separately prepared consolidated financial statements of CDWC include both CDWC and Cadway, Inc., and may be obtained from the City.

The City holds 1,502.72 acre feet of water rights in the Main San Gabriel Basin which are capitalized at cost, and reported as “water rights” within capital assets. Each year, these water rights are temporarily leased to CDWC in order for CDWC to deliver water to the City based on its ownership. For the year ended June 30, 2018, based on the limits set by the Main San Gabriel Basin Water Master, the City was able to purchase .758977 acre feet of water per acre foot of water rights owned, or 1,140.53 acre feet at a cost of \$235,490.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – CALIFORNIA DOMESTIC WATER COMPANY (CDWC) (CONTINUED)

The City also holds 687.85 shares of preferred stock which are reported at cost as “water rights” within capital assets. During December 2011, Brea was issued 664.14 shares of preferred stock for \$8,141,812 to secure Brea’s claim to the 664.10 acre feet of water rights from CDWC. During May 2013, Brea was issued another 23.75 shares of preferred stock for \$302,592 to secure Brea’s claim to another 23.75 acre feet of water rights from CDWC. This resulted in a total of 687.85 shares of preferred stock for a total of \$8,444,404 used to secure an equal amount of water delivered pursuant to water rights. There is an immaterial difference of 0.04 shares between the City’s records and CDWC records.

As a preferred stock shareholder in CDWC, the City is entitled to a certain number of acre feet of water based on the number of preferred stock shares owned and the operating safe yield in the basin. This water is purchased at the same cost as water purchased using water rights owned by the City. For the current fiscal year, the City was entitled to purchase .758977 acre feet of water per acre foot of water rights owned, or 522.06 acre feet at the common stock entitlement rate for a total cost of \$107,792.

As of June 30, 2018, the City holds 2,106.5 shares of Common Stock in the CDWC. The City values its common stock holdings using the equity method of investment as the City holds approximately 26.31% of the total shares outstanding. The City reported a decrease of \$53,002 as the change in equity for the year ended June 30, 2018. As a common stock shareholder in CDWC, the City is entitled to purchase a certain amount of water based on the number of common stock shares owned. For the year ended June 30, 2018, the City was entitled to purchase 1.55 acre feet of water per common stock share owned or 3,265.08 acre feet of at the common stock entitlement rate, for a total cost of \$1,301,376.

In an effort to memorialize the transactions that have occurred related to Class A Preferred Stock and to describe and clarify the rights the City has obtained by reason of its ownership of the Class A Preferred Stock, management had prepared an Agreement between CDWC and the City for City Council consideration in May 2018 which outlines the City’s acquisition of Class A Preferred Stock.

Since that time, City staff has learned that California Domestic Water Company (CDWC) is in the process of updating its Rules and Regulations for Water Service (CDWC Rules and Regulations). This document describes how CDWC administers, processes and provides water service including sections outlining provisions for the ownership and entitlements of common stock shares. As part of this update, CDWC plans to add the provisions for the ownership and entitlements of Class A Preferred Stock.

Once the CDWC Rules and Regulations are adopted by the CDWC Board of Directors, the effect of changes, if any, to the information provided regarding the City’s common stock and Class A Preferred Stock would be reported in a future period.

During the year ended June 30, 2018, the City paid \$2,518,523 to California Domestic Water Company for purchases of water during the year. Additionally, the City used \$1,894,223 of replenishment water paid for in August 2016, for a total of \$4,412,746.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – NOTES, LOANS, AND DEFERRED LOANS RECEIVABLE

Notes and loans receivable consist of rehabilitation loans made from Community Development Block Grant (“CDBG”) and HOME grant funds to low income individuals that need assistance in rehabilitating their homes or mobile homes to meet current code standards. Amounts are due from the proceeds only upon the sale or transfer of the property. Loans made to mobile home owners are forgiven if the owner lives in the property 5 years or more. Repayments received by the City from homeowners are remitted to the County. Thus, the City has offset the notes and loans receivable balance with a liability due to other governments on the accompanying balance sheet. Additionally, the Affordable Housing Trust reports home buyer assistance loans to low and moderate income individuals to assist in purchasing a home. Homebuyer assistance loans repayment begins 5 years after the loan was originated, and is repaid over a 30 year period. Notes and loans receivable from each of these funds are comprised of the following at June 30, 2018:

| | |
|----------------------------------|---------------------|
| CDBG | \$ 1,523,940 |
| HOME Grant Funds | 35,241 |
| Affordable Housing Trust | 213,000 |
| Total notes and loans receivable | <u>\$ 1,772,181</u> |

The City (through the former redevelopment agency) has made long term loans to various developers and organizations to stimulate low and moderate income housing projects and to low and moderate income individuals to rehabilitate their homes to meet current code standards or to assist them in purchasing a home. Some assistance given gave the City rights to receive “silent seconds” on property when sold to a low and moderate income individual. These “silent seconds” gave the City the right to a portion of the proceeds from the sale of the property. Collection terms of these loans vary and range from 5 years to 55 years. The majority of loans made to developers will be repaid from residual receipts and from monies earned on the property once they are built. Home buyer assistance loans begin repayment after 5 years and will be repaid over a 30-year period. For the remainder of loans and notes receivable, the Agency has classified fund balance as “restricted” indicating that these resources are not current available resources.

The outstanding balance of these notes and loans are reported in the Housing Successor Fund and are comprised of the following at June 30, 2018:

| | |
|--|----------------------|
| Home Buyer Assistance Loans | \$ 4,614,780 |
| Rehabilitation Loans | 162,929 |
| Developer / Organization Loans: | |
| Acacia Apartments | 1,446,924 |
| Birch Hills Affordable Apartments | 4,750,000 |
| Bonterra Apartments | 1,109,992 |
| Imperial Apartments | 2,853,000 |
| La Habra Housing | 616,056 |
| South Walnut Bungalows | 826,000 |
| Total notes, loans and deferred loans receivable | <u>\$ 16,379,681</u> |

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

| | Due From Other Funds | | Total |
|----------------------------|---------------------------------|--|---------------------|
| | General Fund | Non-major Governmental Fund | |
| Due to Other Funds | | | |
| Capital Improvements Fund | \$ 1,235,758 | \$ 3,900,000 | \$ 5,135,758 |
| Non-major Enterprise Funds | 280,711 | - | 280,711 |
| Total | <u>\$ 1,516,469</u> | <u>\$ 3,900,000</u> | <u>\$ 5,416,469</u> |

- a. The balances due among the General Fund, Non-major Governmental Fund, and Capital Improvements Fund for \$5,135,758 were related to the downtown parking structure. These balances cleared during the following fiscal year from payments from the Successor Agency.
- b. The balances due between General Fund and Non-major Enterprise Funds for \$280,711 were a result of routine transaction not cleared prior to the end of the fiscal year.

Advances To/From Other Funds

| | Advances from Other Funds | | Total |
|--------------------------------|---|-------------------------------|-------------------|
| | Non-major Governmental Funds | Water Utility Fund | |
| Advances to Other Funds | | | |
| General Fund | \$ 12,157 | \$ 118,725 | \$ 130,882 |
| Internal Service Funds | - | 289,255 | 289,255 |
| Total | <u>\$ 12,157</u> | <u>\$ 407,980</u> | <u>\$ 420,137</u> |

- a. The General Fund and the Internal Service Funds advanced \$407,980 to the Water Utility Fund in order to purchase water rights in 2012. Amounts will be repaid through January 2019, with interest accrued at 0.38%.
- b. The General Fund advanced Non-major Governmental Funds \$12,157 to fund street improvements. Amount will be repaid through June 30, 2020 with interest accrued at 0.36%.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Transfers In/Out from Other Funds

| Transfers Out | Transfers In | | | Total |
|------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | General Fund | Capital Improvements Fund | Internal Service Funds | |
| Governmental Activities: | | | | |
| General Fund | \$ - | \$ 642,175 | \$ 61,303 | \$ 703,478 |
| Non-major Governmental Funds | 400,000 | 4,099,524 | - | 4,499,524 |
| Internal Service Funds | 200,000 | - | - | 200,000 |
| Business-type Activities: | | | | |
| Non-major Enterprise Funds | 450,000 | - | - | 450,000 |
| Total | <u>\$ 1,050,000</u> | <u>\$ 4,741,699</u> | <u>\$ 61,303</u> | <u>\$ 5,853,002</u> |

- a. The General Fund transferred \$642,175 to the Capital Improvements Fund for various capital improvement program projects.
- b. The General Fund transferred \$61,303 to the Internal Service Funds for the purchase of a fire vehicle and community services vehicle.
- c. Non-major Governmental Funds transferred \$400,000 to the General Fund for street maintenance purposes, funded through restricted revenue sources (Gas Tax, etc.).
- d. Non-major Governmental Funds transferred \$4,099,524 to the Capital Improvements Fund for various capital improvement program projects.
- e. The Internal Service Funds transferred \$200,000 to the General Fund for general purposes.
- f. Non-major Enterprise Funds transferred \$450,000 to the General Fund for general purposes and reimbursement of franchise fees paid to Sanitation fund.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – CAPITAL ASSETS

Summary of changes in capital assets for the governmental activities for the year ended June 30, 2018, is as follows:

| | Beginning Balance | Transfers | Additions | Disposals | Ending Balance |
|---|----------------------|--------------|---------------|-------------|-------------------|
| Governmental activities: | | | | | |
| Capital assets, not depreciated: | | | | | |
| Land | \$ 47,151,590 | \$ - | \$ 10,084,371 | \$ - | \$ 57,235,961 |
| Construction in progress | 12,444,497 | (23,202,295) | 11,089,148 | - | 331,350 |
| Total Capital Assets, Not Depreciated | 59,596,087 | (23,202,295) | 21,173,519 | - | 57,567,311 |
| Capital assets, being depreciated: | | | | | |
| Structures and improvements | 89,012,014 | 22,503,326 | 4,753,017 | - | 116,268,357 |
| Equipment | 21,596,102 | 698,969 | 599,830 | (2,022,117) | 20,872,784 |
| Infrastructure | 133,342,655 | - | 14,613,582 | - | 147,956,237 |
| Total Capital Assets Being Depreciated | 243,950,771 | 23,202,295 | 19,966,429 | (2,022,117) | 285,097,378 |
| Less accumulated depreciation for: | | | | | |
| Structures and improvements | (48,701,723) | - | (1,985,379) | - | (50,687,102) |
| Equipment | (13,017,400) | - | (1,433,721) | 2,011,434 | (12,439,687) |
| Infrastructure | (64,257,391) | - | (4,539,613) | - | (68,797,004) |
| Total Accumulated Depreciation | (125,976,514) | - | (7,958,713) | 2,011,434 | (131,923,793) |
| Total Capital Assets Being Depreciated, Net | 117,974,257 | 23,202,295 | 12,007,716 | (10,683) | 153,173,585 |
| Governmental Activities Capital Assets, Net | \$ 177,570,344 | \$ - | \$ 33,181,235 | \$ (10,683) | \$ 210,740,896 |

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|----------------------|-------------|-----------------------|
| Business-Type Activities: | | | | |
| Capital assets, not depreciated: | | | | |
| Land | \$ 2,074,536 | \$ 775,575 | \$ - | \$ 2,850,111 |
| Water rights - fee title | 23,931,020 | - | - | 23,931,020 |
| Water rights - preferred stock | 8,444,404 | - | - | 8,444,404 |
| Construction in progress | - | 204,230 | - | 204,230 |
| Total Capital Assets, not depreciated | <u>34,449,960</u> | <u>979,805</u> | <u>-</u> | <u>35,429,765</u> |
| Capital assets, being depreciated: | | | | |
| Structures and Improvements | - | 26,160 | - | 26,160 |
| Equipment | 341,529 | 8,039 | - | 349,568 |
| Infrastructure | 112,129,592 | 13,694,611 | - | 125,824,203 |
| Total Capital Assets Being Depreciated | <u>112,471,121</u> | <u>13,728,810</u> | <u>-</u> | <u>126,199,931</u> |
| Less accumulated depreciation for: | | | | |
| Structures and Improvements | - | (1,090) | - | (1,090) |
| Equipment | (264,589) | (28,434) | - | (293,023) |
| Infrastructure | (53,388,410) | (2,763,743) | - | (56,152,153) |
| Total Accumulated Depreciation | <u>(53,652,999)</u> | <u>(2,793,267)</u> | <u>-</u> | <u>(56,446,266)</u> |
| Total Capital Assets Being Depreciated, Net | <u>58,818,122</u> | <u>10,935,543</u> | <u>-</u> | <u>69,753,665</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 93,268,082</u> | <u>\$ 11,915,348</u> | <u>\$ -</u> | <u>\$ 105,183,430</u> |

The City has a total \$32,375,424 in water rights. As described in Note 4, \$8,444,404 of the water rights are held as preferred stock in California Domestic Water Company. The remaining \$23,931,020 of water rights are held in the name of the City. Combined, the rights held by the City allow the City to purchase 1,662.59 acre feet of water annually at a set rate of \$173.33 per acre foot. Refer to Note 4 for further details of transactions with California Domestic Water Company.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--------------------------------|----------------------------|
| Governmental Activities: | |
| City: | |
| General government | \$ 780,440 |
| Public safety | 527,224 |
| Community services | 382,729 |
| Public works | <u>5,473,249</u> |
| Total City | <u>7,163,642</u> |
| Internal service: | |
| Vehicle maintenance | 675,464 |
| Building occupancy | <u>119,607</u> |
| Total internal service | <u>795,071</u> |
| Total Governmental Activities | <u><u>\$ 7,958,713</u></u> |
| Business-Type Activities: | |
| Water utility | \$ 2,309,560 |
| Sewer utility | 482,770 |
| Urban runoff | <u>938</u> |
| Total Business-Type Activities | <u><u>\$ 2,793,268</u></u> |

NOTE 8 – LONG-TERM LIABILITIES

a. Governmental Activities Long-Term Liabilities

A summary of changes in governmental activities long-term debt for the year ended June 30, 2018, is noted below:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Lease Revenue Bonds: | | | | | |
| 2010 lease revenue bonds | \$ 2,760,000 | \$ - | \$ - | \$ 2,760,000 | \$ - |
| Capital leases | 4,261,876 | - | (603,704) | 3,658,172 | 465,458 |
| Compensated absences | 2,616,419 | 2,857,457 | (2,989,869) | 2,484,007 | 1,863,004 |
| Claims and judgments (note 11) | 4,497,191 | 2,225,335 | (1,701,160) | 5,021,366 | 1,908,119 |
| | <u>\$ 14,135,486</u> | <u>\$ 5,082,792</u> | <u>\$ (5,294,733)</u> | <u>\$ 13,923,545</u> | <u>\$ 4,236,581</u> |

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

a. Governmental Activities Long-Term Liabilities (Continued)

Lease Revenue Bonds

2010 Lease Revenue Bonds

The \$2,835,000 principal amount of the 2010 Lease Revenue Bonds was issued by the Brea Public Financing Authority (Authority) in April 2010. The proceeds were used to finance a portion of the costs of the installation of photovoltaic energy systems and energy efficient improvements on City property. The Authority elected to treat the bonds as “Build America Bonds” under Section 54AA(g)(2) of the Tax Code which made the Authority eligible for cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. These are referred to as “refundable credits” in the bond indenture and are pledged for the payment of the bonds.

Bonds maturing on April 1, 2030, in the amount of \$1,260,000 are term bonds and bear interest at 6.734%. Installments are \$380,000, \$420,000 and \$460,000 and are due in 2028, 2029 and 2030. Bonds maturing on April 1, 2036, in the amount of \$1,500,000, are term bonds and bear interest at 6.884%. Installments range from \$165,000 to \$510,000 every year from 2031 to 2036.

Bonds are payable from the lease payments to be made by the City of Brea for the leasing of certain real property pursuant to the lease agreement dated April 1, 2010. The required reserve for the 2010 lease revenue bonds is \$261,807. As of June 30, 2018, the reserve amount was \$265,506.

The outstanding balance at June 30, 2018, was \$2,760,000.

The debt service schedule of the 2010 Lease Revenue Bonds are as follows:

| Year Ending June 30: | Principal | Interest | Total |
|----------------------|---------------------|---------------------|---------------------|
| 2019 | \$ - | \$ 188,108 | \$ 188,108 |
| 2020 | - | 188,108 | 188,108 |
| 2021 | - | 188,108 | 188,108 |
| 2022 | - | 188,108 | 188,108 |
| 2023 | - | 188,108 | 188,108 |
| 2024-2028 | 380,000 | 940,542 | 1,320,542 |
| 2029-2033 | 1,735,000 | 524,960 | 2,259,960 |
| 2034-2036 | 645,000 | 91,557 | 736,557 |
| Total | <u>\$ 2,760,000</u> | <u>\$ 2,497,599</u> | <u>\$ 5,257,599</u> |

Capital Leases

In April 2010, the City entered into equipment lease purchase agreement with Banc of America Leasing & Capital, LLC to finance the Brea Civic and Cultural Center Project, and the Brea Community Center Project. Per the lease agreement, remaining semi-annual payments ranging from \$11,467 to \$80,272 are due in April and October of each year with the final payment due in April 2027. The outstanding balance at June 30, 2018, was \$2,485,000.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

a. Governmental Activities Long-Term Liabilities (Continued)

In August 2015, the City entered into an equipment lease purchase agreement with Banc of America Public Capital Corp in the amount of \$1,952,104 for the acquisition of public safety radio communication equipment in connection with the upgrade of the Orange County 800 Megahertz Countywide Coordinated Communication System. Per the lease agreement, remaining semiannual payments ranging from \$142,729 to \$150,611 are due in June and December of each year with the final payment due in June 2022. The outstanding balance at June 30, 2018, was \$1,173,172.

The assets acquired through capital lease is as follows:

| | |
|--------------------------------|---------------------|
| Equipment | \$ 6,663,699 |
| Less: Accumulated Depreciation | (1,715,905) |
| Total | <u>\$ 4,947,794</u> |

Combined future capital lease payments are as follows:

| Year Ending June 30: | |
|--|---------------------|
| 2019 | \$ 645,819 |
| 2020 | 654,191 |
| 2021 | 666,271 |
| 2022 | 675,836 |
| 2023 | 380,298 |
| 2024-2027 | <u>1,579,806</u> |
| Total minimum lease payments | 4,602,221 |
| Less: amount representing interest | (944,049) |
| Present value of minimum lease payment | <u>\$ 3,658,172</u> |

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The Governmental Activities' liability, at June 30, 2018, will be paid in future years from the General Fund, Vehicle Maintenance Fund, and Building Occupancy Fund in amounts of \$2,392,480, \$32,239 and \$59,288 respectively. Total compensated absences at June 30, 2018, were \$2,484,007.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

b. Business-Type Activities Long-Term Liabilities

A summary of changes in business-type activities long-term debt for the year ended June 30, 2018 is noted below:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|-------------------|---------------------------|----------------------|------------------------|
| Water Revenue Bonds: | | | | | |
| 2009 Water Revenue Bonds | \$ 22,280,000 | \$ - | \$ (590,000) | \$ 21,690,000 | \$ 610,000 |
| 2010 Water Revenue Bonds | 9,885,000 | - | (125,000) | 9,760,000 | 150,000 |
| 2014 Water Revenue Bonds | 17,985,000 | - | (325,000) | 17,660,000 | 340,000 |
| Compensated absences | 265,061 | 239,737 | (254,358) | 250,440 | 187,830 |
| Totals | <u>\$ 50,415,061</u> | <u>\$ 239,737</u> | <u>\$ (1,294,358)</u> | <u>\$ 49,360,440</u> | <u>\$ 1,287,830</u> |
| | | | Unamortized bond discount | \$ (271,218) | |
| | | | Unamortized bond premium | 2,053,519 | |
| | | | | <u>\$ 51,142,741</u> | |

Water Revenue Bonds

2009 Water Revenue Bonds

In May 2009, the Brea Public Financing Authority issued \$25,800,000 of 2009 Water Revenue Bonds structured into two series. The \$12,855,000 2009 Water Revenue Refunding Bond Series A and the \$12,945,000 2009 Water Revenue Bonds, Series B. The proceeds from Series A bonds was used to current refund all of the remaining outstanding 1998 Water Revenue Bonds and proceeds from the Series B Bonds financed the acquisition of additional water rights and various capital projects relating to the Water System. Proceeds were also used to fund a debt service reserve fund and pay cost of issuance expenses.

Series A bonds consist of \$12,855,000 serial bonds and term bonds. Bonds maturing in the years 2010 through 2027 are serial bonds payable in remaining annual installments of \$610,000 to \$930,000 and bear interest at 4.0% to 4.75%. Bonds maturing July 1, 2029, in the amount of \$1,375,000 are term bonds and bear interest at 4.75%. Series B bonds consist of \$12,945,000 term bonds. Bonds mature from 2029 through 2039 in annual installments of \$525,000 to \$1,495,000 and bear interest at 6.75%.

The required reserve for the 2009 Water Revenue Bonds is \$1,560,937. As of June 30, 2018, the reserve was \$1,875,147 being held in the Water Fund of the City of Brea. The outstanding balance at June 30, 2018, was \$21,690,000.

2010 Water Revenue Bonds

In April 2010, the Brea Public Financing Authority issued \$12,295,000 of water revenue bonds into two series. Both Series A and B were issued to finance a portion of the costs of the installation of photovoltaic energy systems and energy efficient improvements at the City. Proceeds were also used to fund a debt service reserve fund and pay issuance costs and capitalized interest on the bonds through the end of the construction phase.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

b. Business-Type Activities Long-Term Liabilities (Continued)

2010 Water Revenue Bonds (Continued)

Series A bonds consisted of \$2,410,000 of tax exempt serial bond maturing on July 1 of each year beginning in 2012 through 2016, and has been paid in full. Series B bonds consisted of \$9,885,000 of federally taxable “Build America Bonds”, \$2,195,000 of these bonds are serial bonds maturity on July 1 of each year beginning in 2017 through 2025. Annual principal installments range from \$125,000 to \$385,000. Interest payments are due July 1 and January 1 of each year and range from 4.37% to 5.99%. The remaining \$7,690,000 are term bonds due maturing on July 1, 2030 and July 1, 2036 in the amounts of \$2,685,000 and \$5,005,000. The Series B bonds are also subject to mandatory sinking fund requirements. These “Build America Bonds” under Section 54AA(g)(1) of the Tax Code make the Authority eligible for cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the bonds. These are referred to as “refundable credits” in the bond indenture and are pledged for the payment of the bonds.

The required reserve for the 2010 Water Revenue Bonds, Series B is \$758,076. As of June 30, 2018, the reserve amount was \$1,321,437. The outstanding balance at June 30, 2018 was \$9,760,000.

2014 Water Revenue Bonds

In August 2014, the Brea Community Benefit Financing Authority issued \$18,555,000 of 2014 Water Revenue Bonds. The proceeds will be used to repay interfund loans made by the City of Brea to its Water Utility Fund from other available funds for the purchase of water rights completed in May 2014 for the benefit of the City’s water system. Proceeds were also used to pay cost of issuance expenses.

The bonds consisted of \$9,440,000 serial bonds maturing in the years 2015 to 2034, payable July 1 in annual installments of \$255,000 to \$700,000 and bear interest at 3.25% to 5.00%. Bonds maturing July 1, 2039, in the amount of \$4,005,000 are term bonds and bear interest at 5.00%. Bonds maturing July 1, 2044, in the amount of \$5,110,000 are term bonds and bear interest at 5.00%. The outstanding balance at June 30, 2018, was \$17,660,000.

Water Revenue Bonds Debt Coverage Requirement

The City has covenanted that gross revenues (including interest revenue and excluding connection fees) less operation and maintenance costs as defined in the bond document shall be at least 1.25 times the sum of all debt service on all parity obligations. Gross revenues for the year ended June 30, 2018, were \$22,885,107. Operation and maintenance costs for the year ended June 30, 2018, were \$11,972,562, excluding depreciation. This resulted in a debt coverage ratio of 2.81 for the year ended June 30, 2018.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

b. Business-Type Activities Long-Term Liabilities (Continued)

Pledged Revenues

Future net revenues of the Water Utility Fund for each year's debt service payment are pledged until the extinguishment of the debt in 2044 and are not available for other uses. Remaining principal and interest payments on this debt as of June 30, 2018 was \$88,184,244.

The debt service schedules of these Water Revenue Bonds are as follows:

| Year Ending June 30: | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2019 | \$ 1,100,000 | \$ 2,698,827 | \$ 3,798,827 |
| 2020 | 1,165,000 | 2,652,304 | 3,817,304 |
| 2021 | 1,235,000 | 2,600,695 | 3,835,695 |
| 2022 | 1,310,000 | 2,543,596 | 3,853,596 |
| 2023 | 1,390,000 | 2,484,316 | 3,874,316 |
| 2024-2028 | 8,340,000 | 11,296,377 | 19,636,377 |
| 2029-2033 | 11,335,000 | 8,602,059 | 19,937,059 |
| 2034-2038 | 13,475,000 | 4,734,520 | 18,209,520 |
| 2039-2043 | 7,565,000 | 1,350,425 | 8,915,425 |
| 2044-2045 | 2,195,000 | 111,125 | 2,306,125 |
| Total | <u>\$ 49,110,000</u> | <u>\$ 39,074,244</u> | <u>\$ 88,184,244</u> |

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability at June 30, 2018, will be paid in future years by the enterprise funds. Total compensated absences at June 30, 2018, were \$250,440.

c. Debt Without Government Commitment

Assessment District Bonds

The special assessment bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the full faith and credit nor taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

c. Debt Without Government Commitment (Continued)

In June 2005, the Brea Public Financing Authority issued \$15,405,000 Brea Public Financing Authority 2005 Series A Local Agency Revenue Bonds for and on behalf of the City of Brea Community Facilities District No. 1997-1 (Olinda Heights Public Improvements) and the Brea Olinda Unified School District (BOUSD) Community Facilities District No. 95-1 (Olinda Heights). \$6,665,000 of the City of Brea Community Facilities District Bonds were for a current refunding of the Community Facilities District No. 1997-1 (Olinda Heights Public Improvements) 1998 Special Tax Bonds. The bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982, and are payable from the proceeds of annual special tax to be levied on property. The bonds mature from 2006 to 2028, with remaining annual installments ranging from \$285,000 to \$430,000 per year. The interest rates on the bonds range from 3.875% to 4.375%. The outstanding balance at June 30, 2018, was \$3,875,000. The remaining \$6,310,000 of bonds outstanding relate to the BOUSD Community Facilities District No. 95-1 (Olinda Heights), and are not part of the City. Refer to the separately prepared financial statements of the BOUSD for further information.

In February 2014, the City issued on behalf of the Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) \$1,630,000 aggregate principal of 2014 Special Tax Refunding Bonds to currently refund in full the Community Facilities District No. 1996-1 (Downtown Brea Public Improvements) 1997 Special Tax Bonds. The bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual special tax levied on property within the District. The bonds mature from 2014 to 2021, with remaining annual installments ranging from \$210,000 to \$225,000 per year. The annual interest rate on the bonds is 2.580%. The outstanding balance at June 30, 2018, was \$870,000.

In November 2017, the City of Brea issued on behalf of the Community Facilities District No. 2008-2 (Brea Plaza Area Public Improvements) \$8,555,000 aggregate principal of 2017 Special Tax Refunding Bonds to advance refund in full the Community Facilities District No. 2008-2 (Brea Plaza Area Public Improvements) 2009 Special Tax Bonds. The bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from the proceeds of an annual special tax levied on property within the District. The bonds mature from 2018 to 2039, with remaining annual installments ranging from \$200,000 to \$575,000. The remaining interest rates on the bonds range from 2.000% to 4.000%. The outstanding balance at June 30, 2018, was \$8,555,000.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

a. Plan Description

The City of Brea contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, California 95814.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

b. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

| | Miscellaneous Plan | | |
|---|--|---|---|
| | Tier 1* | Tier 2 | PEPRA (Tier 3) |
| Hire date | Prior to September 17, 1999 | September 17, 1999 to December 31, 2012 and Non-PEPRA hired on or after January 1, 2013 | January 1, 2013 and after |
| Benefit formula | 2.0% @ 55 | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | minimum 50 years | minimum 50 years | minimum 52 years |
| Monthly benefits, as a % of eligible compensation | 1.426% - 2.418% 50 yrs - 63 years, respectively | 1.426% - 2.418% 50 yrs - 63 years, respectively | 1.000% - 2.500% 52 yrs - 67+ yrs, respectively |
| Required employee contribution rates | 7.000% | 7.000% | 5.750% |
| Required employer contribution rates | 18.778% | 18.778% | 5.692% |

* Closed to new entrants

| | Safety Plan | | | |
|---|------------------------|--|---|---|
| | Tier 1* | Tier 2* | Tier 3 | PEPRA (Tier 4) |
| Hire date | Prior to June 30, 1984 | On June 30, 1984 and prior to September 17, 2011 | September 17, 2011 to December 31, 2012 and Non-PEPRA hired on or after January 1, 2013 | January 1, 2013 and after |
| Benefit formula | 3.0% @ 50 | 3.0% @ 50 | 2.0% @ 50 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life | monthly for life |
| Retirement age | minimum 50 years | minimum 50 years | minimum 50 years | minimum 50 years |
| Monthly benefits, as a % of eligible compensation | 3.000% 50 yrs | 3.000% 50 yrs | 2.000% - 2.700% 50 yrs - 55 yrs, respectively | 2.000% - 2.700% 50 yrs - 57+ yrs, respectively |
| Required employee contribution rates | 9.000% | 9.000% | 9.000% | 10.250% |
| Required employer contribution rates | 53.227% | 53.227% | 53.227% | 10.495% |

* Closed to new entrants

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

c. Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms of the Plans:

| Description | Number of members | |
|--|--------------------|-------------|
| | Miscellaneous Plan | Safety Plan |
| Inactive employees or beneficiaries currently receiving benefits | 272 | 204 |
| Inactive employees entitled to but not yet receiving benefits | 274 | 74 |
| Active employees | 201 | 100 |
| Total | 747 | 378 |

d. Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The employer contributions during the year ended June 30, 2018 were \$2,433,536 and \$6,573,125 for the Miscellaneous Plan and the Safety Plan, respectively.

e. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous | Safety |
|------------------------|--|--|
| Valuation Date | June 30, 2016 | June 30, 2016 |
| Measurement Date | June 30, 2017 | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 7.15% | 7.15% |
| Inflation | 2.75% | 2.75% |
| Salary increases | 3.3% to 14.2% by Entry, Age and Service | 3.3 to 14.2 percent by Entry, Age and Service |
| Mortality Table** | Derived using CalPERS' Membership Data for all Funds | Derived using CalPERS' Membership Data for all Funds |

**The mortality table used was developed based on 2014 CalPERS's Experience Study. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

e. Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return on pension plan investments, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan.

These geometric rates of return net of administrative expenses are summarized in the following table:

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10 (1) | Real Return Years 11+ (2) |
|-------------------------------|-----------------------------|---------------------------------|------------------------------|
| Global Equity | 47.00% | 4.90% | 5.38% |
| Global Fixed Income | 19.00 | 0.80 | 2.27 |
| Inflation Sensitive | 6.00 | 0.60 | 1.39 |
| Private Equity | 12.00 | 6.60 | 6.63 |
| Real Estate | 11.00 | 2.80 | 5.21 |
| Infrastructure and Forestland | 3.00 | 3.90 | 5.36 |
| Liquidity | 2.00 | -0.40 | -0.90 |

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

f. Changes of Assumptions

For the June 30, 2017 measurement date, the discount rate was changed from 7.65% to 7.15%.

g. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained at CalPERS' website.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

h. Changes in the Net Pension Liability

The changes in Net Pension Liability for each Plan follows:

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Miscellaneous Plan | | | |
| Balance at June 30, 2016 | \$ 125,653,186 | \$ 92,909,405 | \$ 32,743,781 |
| Changes in the year: | | | |
| Service Cost | 2,355,806 | - | 2,355,806 |
| Interest on the total pension liability | 9,338,038 | - | 9,338,038 |
| Changes in assumptions | 7,763,702 | - | 7,763,702 |
| Differences between expected and actual experience | (972,574) | - | (972,574) |
| Net Plan to Plan Resource Movement | - | (68,950) | 68,950 |
| Contribution - employer | - | 2,810,705 | (2,810,705) |
| Contribution - employee | - | 1,135,787 | (1,135,787) |
| Net Investment Income | - | 10,371,791 | (10,371,791) |
| Benefit payments, including refunds of employee contributions | (6,040,591) | (6,040,591) | - |
| Administrative expense | - | (137,174) | 137,174 |
| Net changes | 12,444,381 | 8,071,568 | 4,372,813 |
| Balance at June 30, 2017 | \$ 138,097,567 | \$ 100,980,973 | \$ 37,116,594 |
| | | | |
| | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Safety Plan | | | |
| Balance at June 30, 2016 | \$ 230,031,065 | \$ 151,158,712 | \$ 78,872,353 |
| Changes in the year: | | | |
| Service Cost | 3,216,910 | - | 3,216,910 |
| Interest on the total pension liability | 16,994,058 | - | 16,994,058 |
| Changes in assumptions | 14,075,011 | - | 14,075,011 |
| Differences between expected and actual experience | (2,374,086) | - | (2,374,086) |
| Net Plan to Plan Resource Movement | - | 68,950 | (68,950) |
| Contribution - employer | - | 5,562,362 | (5,562,362) |
| Contribution - employee | - | 1,103,737 | (1,103,737) |
| Net Investment Income | - | 16,755,962 | (16,755,962) |
| Benefit payments, including refunds of employee contributions | (11,322,632) | (11,322,632) | - |
| Administrative expenses | - | (223,176) | 223,176 |
| Net changes | 20,589,261 | 11,945,203 | 8,644,058 |
| Balance at June 30, 2017 | \$ 250,620,326 | \$ 163,103,915 | \$ 87,516,411 |

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

| | 1% Decrease (6.15%) | Current Discount Rate (7.15%) | 1% Increase (8.15%) |
|--|------------------------|----------------------------------|------------------------|
| Miscellaneous Plan's net pension liability | \$ 55,837,801 | \$ 37,116,594 | \$ 21,649,358 |
| Safety Plan's net pension liability | 121,393,498 | 87,516,411 | 59,654,608 |
| Total Net Pension Liability | <u>\$ 177,231,299</u> | <u>\$ 124,633,005</u> | <u>\$ 81,303,966</u> |

j. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

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

For the year ended June 30, 2018, the City recognized pension expense of \$5,301,859 for the Miscellaneous Plan and \$10,046,035 for the Safety Plan. As of June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Miscellaneous Plan | | |
| Contributions made after the measurement date | \$ 2,433,536 | \$ - |
| Difference between expected and actual experience | - | (858,906) |
| Change in assumptions | 4,888,257 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,291,295 | - |
| Miscellaneous Plan Total | <u>8,613,088</u> | <u>(858,906)</u> |
| Safety Plan | | |
| Contributions made after the measurement date | 6,573,125 | - |
| Difference between expected and actual experience | - | (2,212,869) |
| Change in assumptions | 9,048,221 | - |
| Net difference between projected and actual earnings on pension plan investments | 2,288,558 | - |
| Safety Plan Total | <u>17,909,904</u> | <u>(2,212,869)</u> |
| Total | <u>\$ 26,522,992</u> | <u>\$ (3,071,775)</u> |

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

k. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources are amortized in pension expense for the year the gain or loss occurs, except for contributions subsequent to the measurement period of \$2,433,536 and \$6,573,125 for the Miscellaneous and Safety Plans, respectively, which will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2019. The amortization period differs depending on the source of the gain or loss. Differences between projected and actual investment earnings are amortized on a 5-year straight-line basis and all other amounts are amortized over the average expected remaining service lives of all members that are provided with benefits. As of the June 30, 2017 measurement date, the expected average remaining service lifetime is 2.7 years for the Miscellaneous Plan and 2.8 years for the Safety Plan. Deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal year ending June 30, | <u>Miscellaneous Plan</u> | <u>Safety Plan</u> |
|--------------------------------|--|--|
| | Deferred Outflows/(Inflows) of Resources | Deferred Outflows/(Inflows) of Resources |
| 2019 | \$ 2,210,933 | \$ 3,388,397 |
| 2020 | 3,315,494 | 5,990,764 |
| 2021 | 558,675 | 969,600 |
| 2022 | (764,456) | (1,224,851) |
| Total | <u>\$ 5,320,646</u> | <u>\$ 9,123,910</u> |

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

a. Plan Description

In addition to providing pension benefits, the City provides medical insurance for certain employees after they separate from the City, through a single-employer defined benefit plan (Plan) as provided under the City's contractual agreements with members from each bargaining unit. Members who retire from the City on or after attaining the age of 50 with at least five years of service are eligible for these benefits. A separate annual financial report is not issued. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

b. Benefits Provided

The City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$350 per month for each retiree's benefits from City funds as they are due with no pre-funding for future years. The City recognizes expenditures for its share of the annual premiums as these benefits become due.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

c. Employees Covered by Benefit Terms

At June 30, 2017, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

| | |
|--|------------|
| Active employees | 298 |
| Inactive employees or beneficiaries currently receiving benefits | 210 |
| Inactive employees entitled to, but not yet receiving benefits | 75 |
| Total | <u>583</u> |

d. Total OPEB Liability

The City's total OPEB liability of \$25,865,288 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

| Actuarial Cost Method | Entry-Age Normal Cost Method |
|-----------------------------|--|
| Actuarial Assumptions: | |
| Discount Rate | 3.58% |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Mortality | (1) |
| Healthcare Trend Rate | Non-Medicare 7.5% and Medicare 6.5% decreased to 4.0% Non-Medicare and 4.0% Medicare in 2076 and later years |
| PEMHCA | 4.25% for 2020+ |
| Participation at Retirement | Actives: 80% decreasing to 60% over 24 years Retirees: 100% if covered, 5% re-elect at age 65 if waived and under age 65 |

(1) Derived using CalPERS 1997-2015 Experience Study

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of June 30, 2017.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

e. Changes of Assumptions

For the June 30, 2017 measurement date, the discount rate was changed from 2.85% to 3.58%.

f. Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|-----------------------------|
| Balance at June 30, 2017 | <u>\$ 27,678,298</u> |
| Changes in the year: | |
| Service Cost | 1,020,496 |
| Interest | 801,573 |
| Changes in assumptions | (2,488,279) |
| Benefit payments, including refunds of employee contributions | (1,146,800) |
| Net changes | <u>(1,813,010)</u> |
| Balance at June 30, 2018 | <u>\$ 25,865,288</u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current discount rate:

| | 1% Decrease (2.58%) | Discount Rate (3.58%) | 1% Increase (4.58%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability | \$ 29,375,707 | \$ 25,865,288 | \$ 23,001,602 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease (6.5/5.5 to 3%) | Healthcare Trend Rate (7.5/6.5 to 4%) | 1% Increase (8.5/7.5 to 5%) |
|----------------------|--------------------------------|---|--------------------------------|
| Total OPEB Liability | \$ 24,100,610 | \$ 25,865,288 | \$ 28,627,152 |

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

g. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,426,734. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Amounts paid by the employer for OPEB as the benefits come due subsequent to the measurement date | \$ 1,176,100 | \$ - |
| Changes in assumptions | - | 2,086,944 |
| Total | <u>\$ 1,176,100</u> | <u>\$ 2,086,944</u> |

\$1,176,100 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30, | Amortization |
|------------------------|-----------------------|
| 2019 | \$ (401,335) |
| 2020 | (401,335) |
| 2021 | (401,335) |
| 2022 | (401,335) |
| 2023 | (401,335) |
| Thereafter | (80,269) |
| Total | <u>\$ (2,086,944)</u> |

NOTE 11 – SELF-INSURANCE PROGRAM

The City is a member of the California Insurance Pool Authority (CIPA). CIPA, a consortium of 11 cities in Los Angeles County and Orange County, California, was established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration.

At June 30, 2018, the City was self-insured for workers' compensation up to \$400,000 per occurrence and general liability and auto liability insurance up to \$350,000 per occurrence. The coverage for general and auto liability extends to \$20,000,000 per occurrence with a \$20,000,000 annual pooled aggregate. Member agencies may be assessed the difference between funds available and the \$20,000,000 annual pooled aggregate in proportion to their annual premium. During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – SELF-INSURANCE PROGRAM (CONTINUED)

At June 30, 2018, \$5,021,366 has been accrued for general liability and workers' compensation claims in the Internal Service Risk Management Fund. These amounts represent estimates of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2018, is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses.

Changes in the claims liability amounted to the following for the years ended June 30:

| | |
|--|----------------------------|
| Claims and judgements at June 30, 2016 | \$ 4,220,920 |
| Claims payments | (1,634,136) |
| Claims incurred and changes in estimates | <u>1,910,407</u> |
| Claims and judgements at June 30, 2017 | 4,497,191 |
| Claims payments | (1,705,292) |
| Claims incurred and changes in estimates | <u>2,229,467</u> |
| Claims and judgements at June 30, 2018 | <u><u>\$ 5,021,366</u></u> |

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 – FUND BALANCE CLASSIFICATIONS

Fund balances in the governmental funds as of June 30, 2018, have been classified as follows:

| | | Special Revenue | Capital | | |
|--|---------------|-----------------|---------------|---------------|---------------|
| | | Fund | Projects Fund | Non-major | |
| | | Housing | Capital | Governmental | |
| | General | Successor | Improvements | Funds | Total |
| Nonspendable: | | | | | |
| Advances to other funds | \$ 130,882 | \$ - | \$ - | \$ - | \$ 130,882 |
| Prepaid costs | 8,680 | - | - | - | 8,680 |
| Total nonspendable | 139,562 | - | - | - | 139,562 |
| Restricted: | | | | | |
| Debt service | 259,380 | - | - | - | 259,380 |
| Prop 172 | 100,013 | - | - | - | 100,013 |
| COPS | 146,485 | - | - | - | 146,485 |
| Lighting and maintenance districts | 280,884 | - | - | - | 280,884 |
| Low and moderate income housing asset | - | 20,721,516 | - | - | 20,721,516 |
| Gas tax | - | - | - | 1,342,676 | 1,342,676 |
| Narcotic enforcement asset seizure | - | - | - | 158,168 | 158,168 |
| Air quality improvement | - | - | - | 242,076 | 242,076 |
| Park development | - | - | - | 3,222,119 | 3,222,119 |
| Measure M | - | - | - | 2,090,582 | 2,090,582 |
| Affordable housing trust | - | - | - | 2,414,202 | 2,414,202 |
| Blackstone CFD | - | - | - | 2,068,013 | 2,068,013 |
| La Floresta CFD | - | - | - | 143,803 | 143,803 |
| Taylor-Morrison CFD | - | - | - | 92,603 | 92,603 |
| Central Park Village CFD | - | - | - | 30,608 | 30,608 |
| Capital and mitigation improvement | - | - | - | 4,103,447 | 4,103,447 |
| Storm drain | - | - | - | 256,955 | 256,955 |
| Capital projects | - | - | 7,730,642 | - | 7,730,642 |
| Pension stabilization | 7,325,249 | - | - | - | 7,325,249 |
| Total restricted | 8,112,011 | 20,721,516 | 7,730,642 | 16,165,252 | 52,729,421 |
| Committed: | | | | | |
| General Plan Maintenance Fee | 818,988 | - | - | - | 818,988 |
| Brea War Memorial | 48,853 | - | - | - | 48,853 |
| Total committed | 867,841 | - | - | - | 867,841 |
| Assigned to: | | | | | |
| Community Benefit and Economic Development | 2,501,082 | - | - | - | 2,501,082 |
| OPEB fund | 155,103 | - | - | - | 155,103 |
| Community center | 948,517 | - | - | - | 948,517 |
| Capital Asset replacement | 8,665,861 | - | - | - | 8,665,861 |
| Total assigned | 12,270,563 | - | - | - | 12,270,563 |
| Unassigned | 14,703,360 | - | - | (9,653) | 14,693,707 |
| Total | \$ 36,093,337 | \$ 20,721,516 | \$ 7,730,642 | \$ 16,155,599 | \$ 80,701,094 |

CITY OF BREA, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 13 – RESTATEMENTS OF PRIOR YEAR FINANCIAL STATEMENTS

The City adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. As a result of the implementation, the City restated the beginning net position as noted below:

| | June 30, 2017 Previously Reported | Restatement | June 30, 2017 Restated |
|--|--------------------------------------|--------------|---------------------------|
| <u>Governmental Activities:</u> | | | |
| Net OPEB obligation | \$ (6,742,813) | \$ 6,742,813 | \$ - |
| Total OPEB liability | - | (24,080,119) | (24,080,119) |
| Deferred outflows of resources | - | 1,003,716 | 1,003,716 |
| Net position | 166,261,169 | (16,333,590) | 149,927,579 |
| <u>Internal Service Funds:</u> | | | |
| Total OPEB liability | - | (2,150,604) | (2,150,604) |
| Deferred outflows of resources | - | 89,109 | 89,109 |
| Net position | 5,029,586 | (2,061,495) | 2,968,091 |
| <u>Business-type Activities - Enterprise Funds:</u> | | | |
| Total OPEB liability | - | (3,598,179) | (3,598,179) |
| Deferred outflows of resources | - | 149,084 | 149,084 |
| Net position | 62,125,632 | (3,449,095) | 58,676,537 |
| <u>Enterprise Funds: Water</u> | | | |
| Total OPEB liability | - | (1,489,092) | (1,489,092) |
| Deferred outflows of resources | - | 61,697 | 61,697 |
| Net position | 50,036,469 | (1,427,395) | 48,609,074 |
| <u>Enterprise Funds: Sewer</u> | | | |
| Total OPEB liability | - | (545,263) | (545,263) |
| Deferred outflows of resources | - | 22,592 | 22,592 |
| Net position | 15,087,588 | (522,671) | 14,564,917 |
| <u>Enterprise Funds: Nonmajor Enterprise</u> | | | |
| Total OPEB liability | - | (1,563,824) | (1,563,824) |
| Deferred outflows of resources | - | 64,795 | 64,795 |
| Net position | (2,940,945) | (1,499,029) | (4,439,974) |

Refer to Note 10 for further details on the implementation of the OPEB standards.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The following material construction and other significant commitments existed at June 30, 2018:

| <u>Project Name</u> | <u>Contract Amount</u> | <u>Expenditures to date as of June 30, 2018</u> | <u>Remaining Commitments</u> |
|--|----------------------------|---|----------------------------------|
| Capital Improvements Fund: | | | |
| 57 Freeway & Lambert Road Interchange Improvement Project | \$ 5,970,000 | \$ 5,097,469 | \$ 872,531 |
| The Tracks At Brea Trail Project - EPA RLF | 1,153,000 | 999,261 | 153,739 |
| Laurel Elementary Magnet/Lagos de Moreno Park Upgrades | 1,942,040 | 1,512,060 | 429,980 |
| Randolph St./Imperial Hwy./Lambert St./State College Blvd. | 724,650 | 79,035 | 645,615 |
| Total | <u>\$ 9,789,690</u> | <u>\$ 7,687,825</u> | <u>\$ 2,101,865</u> |

Further, as described in Note 17, the City annually contributes amounts to the Successor Agency for debt service. For the year ended June 30, 2018, \$1,394,609 was contributed for debt service.

NOTE 15 – CONTINGENCIES

The City is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

The City incurs various costs under federal and state grant reimbursement programs and records the related revenue and receivables for grant claims. Such grant claims are subject to final audit by federal and state agencies.

In an effort to memorialize the transactions that have occurred related to Class A Preferred Stock and to describe and clarify the rights the City has obtained by reason of its ownership of the Class A Preferred Stock, management had prepared an Agreement between CDWC and the City for City Council consideration in May 2018 which outlines the City's acquisition of Class A Preferred Stock.

Since that time, City staff has learned that California Domestic Water Company (CDWC) is in the process of updating its Rules and Regulations for Water Service (CDWC Rules and Regulations). This document describes how CDWC administers, processes and provides water service including sections outlining provisions for the ownership and entitlements of common stock shares. As part of this update, CDWC plans to add the provisions for the ownership and entitlements of Class A Preferred Stock.

Once the CDWC Rules and Regulations are adopted by the CDWC Board of Directors, the effect of changes, if any, to the information provided regarding the City's common stock and Class A Preferred Stock would be reported in a future period.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Integrated Law and Justice Agency of Orange County (ILJAOC)

The City is a member of the Integrated Law and Justice Agency of Orange County (ILJAOC), along with 24 other cities and local law enforcement agencies. The purpose of ILJAOC is to facilitate and share criminal justice information and data among the member agencies. The Agency has a twelve member Board of Directors. The City was appointed to serve as Treasurer/Controller, and assumed administrative responsibilities of ILJAOC. Therefore the activities of ILJAOC are reported as an Agency fund of the City. During the year ended June 30, 2018, the City paid \$18,002 to ILJAOC for its share of operating and replacement costs. Separately prepared financial statements for ILJAOC are available on the City's website.

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On August 25, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2011-085.

Each year, the successor agency is allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full, and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private purpose trust fund) in the financial statements of the City.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

| | |
|--|----------------------|
| Cash and Investments | \$ 2,107,776 |
| Cash and Investments with fiscal agent | <u>18,090,111</u> |
| | <u>\$ 20,197,887</u> |

b. Deferred Loans

The City (through the former redevelopment agency) has made long term loans to various developers and organizations to stimulate development in the City and remove blight in designated project areas. The outstanding balance at June 30, 2018, is as follows:

| | |
|-------------------------------------|---------------------|
| Rehabilitation loans | \$ 8,000 |
| Developer/ Organization Loans: | |
| Brea Improv | 276,430 |
| Brea Olinda Unified School District | <u>1,708,555</u> |
| | <u>\$ 1,992,985</u> |

c. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2018, follows:

| | Beginning Balance | Additions | Repayments | Retirements | Ending Balance | Due Within One Year |
|------------------------------------|-----------------------|----------------------|-----------------------|---|-----------------------|------------------------|
| Tax Allocation Bonds | | | | | | |
| 2003 Tax Allocation Bonds | \$ 28,450,418 | \$ 627,974 | \$ - | \$ (16,475,000) | \$ 12,603,392 | \$ - |
| 2011 Tax Allocation Bonds Series A | 25,837,733 | 1,182,132 | - | (27,019,865) | - | - |
| 2011 Tax Allocation Bonds Series B | 9,940,000 | - | - | (9,940,000) | - | - |
| 2013 Tax Allocation Bonds | 74,880,000 | - | (7,130,000) | - | 67,750,000 | 7,245,000 |
| 2016 Tax Allocation Bonds Series A | 10,425,000 | - | (1,150,000) | - | 9,275,000 | 1,030,000 |
| 2016 Tax Allocation Bonds Series B | 1,540,000 | - | (155,000) | - | 1,385,000 | 145,000 |
| 2017 Tax Allocation Bonds Series A | - | 32,851,710 | - | - | 32,851,710 | - |
| 2017 Tax Allocation Bonds Series B | - | 13,070,000 | - | - | 13,070,000 | - |
| Subtotal - Tax Allocation Bonds | <u>151,073,151</u> | <u>47,731,816</u> | <u>(8,435,000)</u> | <u>(53,434,865)</u> | <u>136,935,102</u> | <u>8,420,000</u> |
| Lease Revenue Bonds | | | | | | |
| 2004 Refunding Lease Revenue Bonds | 1,595,000 | - | (295,000) | - | 1,300,000 | 305,000 |
| 2010 Refunding Lease Revenue Bonds | 4,710,000 | - | (870,000) | - | 3,840,000 | 905,000 |
| Subtotal -Lease Revenue Bonds | <u>6,305,000</u> | <u>-</u> | <u>(1,165,000)</u> | <u>-</u> | <u>5,140,000</u> | <u>1,210,000</u> |
| Total | <u>\$ 157,378,151</u> | <u>\$ 47,731,816</u> | <u>\$ (9,600,000)</u> | <u>\$ (53,434,865)</u> | <u>142,075,102</u> | <u>\$ 9,630,000</u> |
| | | | | Unamortized bond discounts and premiums | <u>12,133,696</u> | |
| | | | | | <u>\$ 154,208,798</u> | |

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

c. Long-Term Debt (Continued)

Tax Allocation Bonds

2003 Tax Allocation Bonds

In July 2003, the former Brea Redevelopment Agency issued \$120,497,866 principal amount of 2003 Redevelopment Project AB Tax Allocation Bonds. The proceeds were used to: 1) current refund the Agency's Brea Redevelopment Agency 1993 Tax Allocation Refunding Bonds, 2) pay the costs of additional redevelopment activities with respect to Project Area AB, 3) pay the cost of a reserve fund security instrument, and 4) pay costs of issuance related to the bonds.

Bonds in the years 2014 to 2026 are current interest bonds payable with no annual installments, while bonds maturing in the years 2028 to 2030 are capital appreciation bonds payable August 1 in annual installments of \$2,151,714 to \$1,801,707. Bonds maturing in the years 2027, 2031 and 2032, in the amount of \$16,475,000 are term bonds.

The current interest bonds bear interest at 4.450% due February 1 and August 1, of each year. The term bonds bear interest at 4.45% and are due August 1, 2032. The capital appreciation bonds have a face value of \$22,640,000. By their nature, there is no regular interest payments associated with capital appreciation bonds. The "interest" on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. The \$22,640,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$5,987,866. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds.

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required. Bond payments are secured by a first pledge on all of the tax revenues on parity with the 2013 and 2017 bonds.

In November 2017, the Successor Agency issued 2017 Tax Allocation Refunding Bonds, Series A of which a portion of the proceeds was used to redeem term bonds portion of the outstanding balance of the 2003 Tax Allocation Bonds. Upon issuance of the 2017 A Bonds, a portion of the sale proceeds was transferred to the 2003 Escrow fund. On the redemption date, moneys deposited in the escrow fund were used to pay the redemption price for the refunded bonds totaling \$16,475,000. As a result, except for the capital appreciation bonds, the liability for the term bonds has been removed. The outstanding balance of the capital appreciation bonds at June 30, 2018, was \$12,603,392.

2011 Tax Allocation Bonds, Series A and B

In June 2011, the former Brea Redevelopment Agency issued \$18,839,323 principal amount of Brea Redevelopment Agency 2011 Tax Allocation Bonds, Series A. The proceeds were used to: 1) refund all of the Agency's remaining outstanding 2001 Subordinate Tax Allocation Refunding Bonds, Series B, 2) finance projects benefiting the Agency's Redevelopment Project AB, 3) fund a reserve account, and 4) pay costs of issuance.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

c. Long-Term Debt (Continued)

In June 2011, the former Brea Redevelopment Agency issued \$10,295,000 principal amount of Brea Redevelopment Agency 2011 Taxable Tax Allocation Housing Bonds, Series B. The proceeds were used to: 1) finance projects in the Agency's low and moderating income housing program of benefit to the project area, 2) fund a reserve account, and 3) pay costs of issuance.

As of June 30, 2018, the 2011 Tax Allocation Bonds, Series A and B outstanding balances are considered legally defeased.

2013 Tax Allocation Refunding Bonds

In December 2013, the Successor Agency to the Brea Redevelopment Agency issued its \$96,620,000 Successor Agency to the Brea Redevelopment Agency Redevelopment Project AB 2013 Tax Allocation Refunding Bonds to refund the outstanding balance of the Brea Redevelopment Agency 2001 Tax Allocation Refunding Bonds, Series A in the amount of \$36,205,000 and to refund the current interest bonds and term bonds outstanding of the 2003 Tax Allocation Bonds in the amount of \$68,390,000. Upon issuance of the 2013 Bonds, a portion of the sale proceeds of the 2013 Bonds was transferred to the 2001A Escrow Fund and to the 2003 Escrow Fund. On the Redemption Date, moneys deposited in the Escrow Funds were used to pay the redemption price for the Refunded Bonds.

The difference between the reacquisition price and carrying value of the refunded debt resulted in a deferred loss on refunding. The balance as of June 30, 2018 of \$476,968 is reported as a deferred outflow of resources, and will be amortized over the life of the new debt as a component of interest expense.

Bonds maturing in the years 2014 to 2026 are payable in August 1, of each year with annual installments ranging from \$1,500,000 to \$8,595,000. The remaining interest rates on the bonds was 5.00%.

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required. Bond payments are secured by a first pledge on all tax revenues on parity with the 2003 and 2017 Tax Allocation Bonds.

The outstanding balance at June 30, 2018, was \$67,750,000.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

c. Long-Term Debt (Continued)

2016 Tax Allocation Refunding Bonds, Series A and B

In November 2016, the Successor Agency to the Brea Redevelopment Agency issued its 2016 Tax Exempt Tax Allocation Refunding Bonds, Series A and 2016 Taxable Tax Allocation Refunding Bonds, Series B in the amount of \$10,425,000 and \$1,540,000 respectively. The proceeds of the bonds were used to currently refund the Public Financing Authority's outstanding 2008 Tax Exempt Tax Allocation Revenue Bonds, Series A in the amount of \$12,260,000 and to advance refund the outstanding 2008 Tax Allocation Revenue Bonds, Series B in the amount of \$1,450,000.

The difference between the reacquisition price and carrying value of the refunded debt is reported as a deferred outflow of resources as of June 30, 2018 totaling \$542,921. This amount will be amortized over the life of the refunded debt, as a component of interest expense.

The Series A Serial Bonds totaling \$10,425,000 have principal repayments ranging from \$915,000 to \$1,150,000 with interest rates ranging from 2.00% to 4.00%.

The outstanding balance at June 30, 2018 was \$9,275,000.

The Series B Serial Bonds totaling \$1,540,000 have principal repayment ranging from \$145,000 to \$165,000 with interest rates ranging from 1.25% to 3.00%.

The outstanding balance at June 30, 2018 was \$1,385,000.

A financial guaranty insurance policy has been issued and, accordingly, no cash reserve balance is required.

2017 Tax Allocation Refunding Bonds, Series A and B

In November 2017, the Successor Agency to the to the Brea Redevelopment Agency issued it 2017 Tax Exempt Tax Allocation Refunding Bonds, Series A and 2017 Taxable Tax Allocation Refunding Bonds, Series B in the amount of \$32,838,802 and \$13,070,000 respectively. The proceeds of the bonds were used to currently refund the term bonds portion of the former Brea Redevelopment Agency 2003 Tax Allocation Bonds in the amount of \$16,475,000 and to advance refund the former Brea Redevelopment Agency's outstanding 2011 Tax Exempt Tax Allocation Bonds, Series A in the amount of \$27,019,865 and 2011 Taxable Tax Allocation Bonds, Series B in the amount of \$9,940,000. The difference between the reacquisition price and carrying value of the refunded debt is reported as a deferred outflow of resources as of June 30, 2018, totaling \$7,148,147. This amount will be amortized over the life of the refunding debt as a component of interest expense. The refunding provided for a cumulative savings of \$24,474,521 over the life of the bonds, resulting in an economic gain of \$9,434,502 net of other funds to fund the redemption, or 18.1 percent of the refunded principal.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

c. Long-Term Debt (Continued)

2017 Tax Allocation Refunding Bonds, Series A and B (Continued)

The Series A Serial Bonds totaling \$19,315,000 have principal repayments ranging from \$50,000 to \$6,665,000 with interest rates at 5.000% for all bonds.

The Series A Convertible Capital Appreciation Bonds have a face value of \$16,080,000. By their nature, there is no regular interest payments associated with capital appreciation bonds. The “interest” on the debt results from the difference between the amounts paid by the investors when the debt was issued and the significantly larger value at maturity. The \$16,080,000 of face value capital appreciation bonds were initially recorded at the amount of proceeds received, \$13,523,802. Each year, the outstanding balance is increased for the accretion of interest associated with the bonds.

The outstanding balance of the Series A Bonds at June 30, 2018 was \$32,851,710.

The Series B Serial Bonds totaling \$9,330,000 have principal repayments ranging from \$385,000 to \$1,795,000 with interest rates ranging from 1.500% to 3.000%.

The Series B Term Bonds totaling \$3,740,000 have payments due in 2032 for \$2,665,000 with interest at 3.375% and in 2036 for \$1,075,000 with interest at 3.625%.

The outstanding balance of the Series B Bonds at June 30, 2018 was \$13,070,000.

A financial guaranty insurance policy has been issue and, accordingly, no cash reserve balance is required.

Bond payments are secured by a first pledge on all tax revenues on parity with the 2003 and 2013 bonds.

The debt service schedules of these Tax Allocation Bonds are as follows:

| Year Ending June 30, | Principal | Interest | Total Payment |
|----------------------|-----------------------|----------------------|-----------------------|
| 2019 | \$ 8,875,000 | \$ 4,760,448 | \$ 13,635,448 |
| 2020 | 9,055,000 | 4,346,498 | 13,401,498 |
| 2021 | 9,485,000 | 3,909,338 | 13,394,338 |
| 2022 | 9,930,000 | 3,454,913 | 13,384,913 |
| 2023 | 10,310,000 | 2,986,038 | 13,296,038 |
| 2024 - 2028 | 49,830,821 | 11,789,017 | 61,619,838 |
| 2029 - 2033 | 27,733,431 | 16,761,218 | 44,494,649 |
| 2034 - 2037 | 11,715,850 | 3,011,040 | 14,726,890 |
| Total | <u>\$ 136,935,102</u> | <u>\$ 51,018,510</u> | <u>\$ 187,953,612</u> |

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

c. Long-Term Debt (Continued)

Pledged Revenues – Tax Allocation Bonds

The Successor Agency pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill X1 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$187,953,612, with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$16,919,118 and the debt service obligation was \$14,207,086.

Refunding Lease Revenue Bonds

2004 Refunding Lease Revenue Bonds

The \$4,330,000 principal amount of the 2004 Refunding Lease Revenue Bonds was issued by the Brea Public Financing Authority in November 2004, to advance refund the Brea Public Financing Authority's 1995 Lease Revenue Bonds.

Bonds maturing in the years 2005 to 2021 are serial bonds payable in remaining annual installments ranging from \$295,000 to \$345,000. The bonds bear remaining interest of 3.875% to 4.500%. Bonds maturing on or after July 1, 2015, may be called before maturity and redeemed at the option of the Authority in whole or in part on any date after July 1, 2014, at a redemption price equal to 100% of the principal amount of the bonds redeemed.

Bonds are payable from the lease payments to be made by the City of Brea for the subleasing of certain real property pursuant to a lease agreement dated November 1, 2004. A financial guarantee insurance policy has been issued, and accordingly, no cash reserve balance is required to be established. Simultaneously, the City and the Agency entered into the Fourth Supplement to the Amended and Restated Reimbursement Agreement.

The outstanding balance at June 30, 2018, was \$1,300,000.

2010 Refunding Lease Revenue Bonds

The \$9,460,000 principal amount of the 2010 Refunding Lease Revenue Bonds was issued by the Brea Public Financing Authority in December 2010, to refund the Brea Public Financing Authority's 1998 Lease Revenue Refunding Bonds.

Bonds maturing in the years 2011 to 2021 are serial bonds payable in remaining annual installments ranging from \$870,000 to \$1,015,000. The bonds bear interest at 2% to 4%, due semi-annually on January 1 and July 1. Bonds maturing on July 1, 2021, may be redeemed at the option of the Authority in whole or in part on any date after July 1, 2020, at a redemption price equal to 100% of the principal amount of the bonds redeemed.

CITY OF BREA, CALIFORNIA

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

d. Long-Term Debt (Continued)

Bonds are payable from the lease payments to be made by the City of Brea for the right to use and occupy certain property pursuant to a lease agreement dated December 1, 1998, and further amended by Amended and Restated Sublease Agreement dated December 1, 2010. Simultaneously, the City and the Agency entered into the Fourth Supplement to the Amended and Restated Reimbursement Agreement.

The outstanding balance at June 30, 2018, was \$3,840,000.

The debt service schedules of these Lease Revenue Bonds are as follows:

| Year Ending June 30, | Principal | Interest | Total Payment |
|----------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 1,210,000 | \$ 182,484 | \$ 1,392,484 |
| 2020 | 1,260,000 | 133,275 | 1,393,275 |
| 2021 | 1,310,000 | 81,669 | 1,391,669 |
| 2022 | 1,360,000 | 27,631 | 1,387,631 |
| Total | <u>\$ 5,140,000</u> | <u>\$ 425,059</u> | <u>\$ 5,565,059</u> |

Pledged Revenues – Lease Refunding Bonds

The Successor Agency pledged, as security for the lease revenue bonds issued, direct General Fund contribution and indirect tax increment revenue via a lease reimbursement agreement. The bonds issued were to defease previously issued bonds. Assembly Bill X1 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$5,565,059 with annual debt service requirements as indicated above. For the current year, the General Fund contribution was \$1,394,609 and total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$16,919,118. The debt service obligation on the lease revenue bonds for the current year was \$1,394,609.

Multifamily Housing Revenue Bonds

In July 2010, the Agency on behalf of Tonner Hills Housing Partners, LP (the “Borrower”), was authorized to issue \$5,858,319 and \$7,741,681 Brea Redevelopment Agency Multifamily Housing Revenue Bonds (Tonner Hills Apartment Homes) 2010 Series A-1 and A-2, respectively, for the purpose of providing funding necessary for the acquisition, construction and equipping of a 94-unit multifamily rental housing project in the City. The Agency and the Borrower also entered into a non-interest bearing loan agreement in amount of \$1,200,000. These bonds are not the obligations of the Agency and will be paid solely from future rent revenue. The outstanding balance is determined when a construction draw requisition is submitted to the bank for payment, limited up to the authorized amounts for each of the series. Currently, the bonds are only paying interest to bondholder for debt service payment. When the bonds are converted, then the Borrower will pay principal and interest per bond conversion. The outstanding balance at June 30, 2018, was \$3,697,816 for Series A-1.

CITY OF BREA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

e. Insurance

The Successor Agency of the former Redevelopment Agency is covered under the insurance policy of the City of Brea at June 30, 2018.

f. Other Significant Commitments

Owner Participation Agreement

In 1987, the Brea Redevelopment Agency entered into an owner participation agreement with the owners of the Brea Mall. This agreement obligates the Agency to pay the owners 80% of the tax increment revenues generated by the Brea Mall above the 1987-1988 base year tax increment, plus \$15,000. The agreement's term is for 33 years beginning the year ended June 30, 1990. The tax increment revenue sharing payments are senior to bond payments.

The amount paid by the Agency as a result of this agreement for the fiscal year ended June 30, 2018, was \$1,581,169. Future minimum payments for the remaining years are estimated as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2019 | \$ 1,626,662 |
| 2020 | 1,673,065 |
| 2021 | 1,720,395 |
| 2022 | <u>1,768,673</u> |
| Total | <u>\$ 6,788,795</u> |

g. Deficit Net Position

As of June 30, 2018, the Agency had a deficit net position of \$132,484,230. This will be reduced with future receipt of distributions from the Redevelopment Property Tax Trust Fund from the County.

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CITY OF BREA, CALIFORNIA

MISCELLANEOUS PLAN SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS LAST TEN YEARS* AS OF JUNE 30, 2018

| | 2018 | 2017 | 2016 | 2015 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 2,355,806 | \$ 2,046,427 | \$ 2,062,984 | \$ 2,192,940 |
| Interest on the total pension liability | 9,338,038 | 9,044,787 | 8,692,445 | 8,386,263 |
| Differences between actual and expected experience | (972,574) | (950,961) | (1,784,268) | - |
| Changes in assumptions | 7,763,702 | - | (2,142,611) | - |
| Benefit payments, including refunds of employee contributions | (6,040,591) | (5,294,666) | (5,086,167) | (4,468,721) |
| Net change in total pension liability | 12,444,381 | 4,845,587 | 1,742,383 | 6,110,482 |
| Total pension liability- beginning | 125,653,186 | 120,807,599 | 119,065,216 | 112,954,734 |
| Total pension liability- ending (a) | \$ 138,097,567 | \$ 125,653,186 | \$ 120,807,599 | \$ 119,065,216 |
| Plan fiduciary net position | | | | |
| Net Plan to Plan Resource Movement | \$ (68,950) | \$ - | \$ - | \$ - |
| Contributions- employer | 2,810,705 | 2,403,298 | 2,132,083 | 1,969,185 |
| Contributions- employee | 1,135,787 | 1,071,389 | 1,087,960 | 1,140,919 |
| Net investment income | 10,371,791 | 510,663 | 2,130,803 | 14,101,824 |
| Benefit payments, including refunds of employee contributions | (6,040,591) | (5,294,666) | (5,086,167) | (4,468,721) |
| Administrative expense | (137,174) | (57,456) | (106,071) | - |
| Net change in plan fiduciary net position | 8,071,568 | (1,366,772) | 158,608 | 12,743,207 |
| Plan fiduciary net position- beginning | 92,909,405 | 94,276,177 | 94,117,569 | 81,374,362 |
| Plan fiduciary net position- ending (b) | \$ 100,980,973 | \$ 92,909,405 | \$ 94,276,177 | \$ 94,117,569 |
| Net pension liability- ending (a) - (b) | \$ 37,116,594 | \$ 32,743,781 | \$ 26,531,422 | \$ 24,947,647 |
| Plan fiduciary net position as a percentage of the total pension liability | 73.12% | 73.94% | 78.04% | 79.05% |
| Covered payroll | \$ 16,716,903 | \$ 15,474,119 | \$ 15,043,603 | \$ 14,843,300 |
| Net pension liability as percentage of covered payroll | 222.03% | 211.60% | 176.36% | 168.07% |
| Measurement Period | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Changes of Assumptions: In 2017, the discount rate was reduced from 7.65 % to 7.15 %. In 2016 there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 % (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

Benefits Changes: The figures above do not include any liability impact that may have resulted from plan changes that occurred after the June 30, 2015 valuation date. This applies to voluntary benefit changes as well as any other offers of Two Years' Additional Service Credit (a.k.a. Golden Handshakes).

CITY OF BREA, CALIFORNIA

**SAFETY PLAN
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
LAST TEN YEARS*
AS OF JUNE 30, 2018**

| | 2018 | 2017 | 2016 | 2015 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 3,216,910 | \$ 2,745,588 | \$ 2,865,433 | \$ 3,080,297 |
| Interest | 16,994,058 | 16,654,242 | 16,223,231 | 15,749,580 |
| Difference Between expected and Actual Experience | (2,374,086) | (2,403,349) | (2,307,435) | - |
| Changes in Assumptions | 14,075,011 | - | (3,994,113) | - |
| Benefit payments, including refunds of employee contributions | (11,322,632) | (11,396,941) | (10,585,623) | (10,108,174) |
| Net change in total pension liability | 20,589,261 | 5,599,540 | 2,201,493 | 8,721,703 |
| Total pension liability- beginning | 230,031,065 | 224,431,525 | 222,230,032 | 213,508,329 |
| Total pension liability- ending (a) | <u>\$ 250,620,326</u> | <u>\$ 230,031,065</u> | <u>\$ 224,431,525</u> | <u>\$ 222,230,032</u> |
| Plan fiduciary net position | | | | |
| Net Plan to Plan Resource Movement | \$ 68,950 | \$ - | \$ - | \$ - |
| Contributions- employer | 5,562,362 | 4,627,179 | 3,591,767 | 3,655,839 |
| Contributions- employee | 1,103,737 | 973,955 | 1,084,088 | 1,024,137 |
| Net investment income | 16,755,962 | 746,473 | 3,517,885 | 24,058,889 |
| Benefit payments, including refunds of employee contributions | (11,322,632) | (11,396,941) | (10,585,623) | (10,108,174) |
| Administrative expenses | (223,176) | (95,259) | (175,877) | - |
| Net change in plan fiduciary net position | 11,945,203 | (5,144,593) | (2,567,760) | 18,630,691 |
| Plan fiduciary net position- beginning | 151,158,712 | 156,303,305 | 158,871,065 | 140,240,374 |
| Plan fiduciary net position- ending (b) | <u>\$ 163,103,915</u> | <u>\$ 151,158,712</u> | <u>\$ 156,303,305</u> | <u>\$ 158,871,065</u> |
| Net pension liability- ending (a) - (b) | \$ 87,516,411 | \$ 78,872,353 | \$ 68,128,220 | \$ 63,358,967 |
| Plan fiduciary net position as a percentage of the total pension liability | 65.08% | 65.71% | 69.64% | 71.49% |
| Covered payroll | \$ 10,703,998 | \$ 10,168,516 | \$ 9,980,447 | \$ 9,919,059 |
| Net pension liability as percentage of covered payroll | 817.60% | 775.65% | 682.62% | 638.76% |
| Measurement Period | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Changes of Assumptions: In 2017, the discount rate was reduced from 7.65 % to 7.15 %. In 2016 there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 % (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

Benefits Changes: The figures above do not include any liability impact that may have resulted from plan changes that occurred after the June 30, 2015 valuation date. This applies to voluntary benefit changes as well as any other offers of Two Years' Additional Service Credit (a.k.a. Golden Handshakes).

CITY OF BREA, CALIFORNIA

**SCHEDULE OF PLAN CONTRIBUTIONS
MISCELLANEOUS AND SAFETY PLANS
LAST TEN YEARS*
FOR THE YEAR ENDED JUNE 30, 2018**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>Miscellaneous Plan</u> | | | | | |
| Actuarially determined contributions | \$ 2,433,536 | \$ 2,279,397 | \$ 2,403,298 | \$ 2,132,083 | \$ 1,969,185 |
| Contributions in relation to the actuarially determined contribution | <u>(2,433,536)</u> | <u>(2,279,397)</u> | <u>(2,403,298)</u> | <u>(2,132,083)</u> | <u>(1,969,185)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | <u>15,773,914</u> | <u>16,716,903</u> | <u>15,474,119</u> | <u>15,043,603</u> | <u>14,843,300</u> |
| Contributions as a percentage of covered payroll | 15.43% | 13.64% | 15.53% | 14.17% | 13.27% |
| | <u>2017</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| <u>Safety Plan</u> | | | | | |
| Actuarially determined contributions | \$ 6,573,125 | \$ 5,863,082 | \$ 4,627,179 | \$ 3,591,767 | \$ 3,655,839 |
| Contributions in relation to the actuarially determined contribution | <u>(6,573,125)</u> | <u>(5,863,082)</u> | <u>(4,627,179)</u> | <u>(3,591,767)</u> | <u>(3,655,839)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | <u>11,688,892</u> | <u>10,703,998</u> | <u>10,168,516</u> | <u>9,980,447</u> | <u>9,919,059</u> |
| Contributions as a percentage of covered payroll | 56.23% | 54.77% | 45.50% | 35.99% | 36.86% |

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

Notes to Schedule:

Miscellaneous and Safety Plans

Valuation Date:

The actuarial methods and assumptions used to set the actuarially determined contribution for FY 2017-18 were from the June 30, 2015 funding valuation report.

| | |
|---------------------------|--|
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of payroll |
| Asset valuation method | Market value |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Payroll Growth | 3.00% |
| Investment Rate of Return | 7.5%, net of pension plan investment and administrative expenses, including inflation |
| Retirement age | The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. |

CITY OF BREA, CALIFORNIA

**SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS*
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>2018</u> |
|--|-----------------------------|
| Total OPEB Liability | |
| Service cost | \$ 1,020,496 |
| Interest on the total OPEB liability | 801,573 |
| Changes in assumptions | (2,488,279) |
| Benefit payments, including refunds of employee contributions | <u>(1,146,800)</u> |
| Net change in total OPEB liability | <u>(1,813,010)</u> |
| Total OPEB liability - beginning | <u>27,678,298</u> |
| Total OPEB liability - ending (a) | <u><u>\$ 25,865,288</u></u> |
| Covered-employee payroll | \$ 33,837,681 |
| Total OPEB liability as a percentage of covered-employee payroll | 76.44% |

Notes to Schedule:

Funding Policy: The City funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

* Fiscal year 2018 was the first year of implementation. As such, additional years will be added as available.

See accompanying note to required supplementary information.

CITY OF BREA, CALIFORNIA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budget Amounts | | Actual | Variance with |
|---|---------------------|-----------------------|----------------------|---|
| | Original | Final | Amounts | Final Budget Positive/ (Negative) |
| Revenues: | | | | |
| Taxes | \$ 40,155,736 | \$ 40,186,814 | \$ 38,986,972 | \$ (1,199,842) |
| Licenses and permits | 661,500 | 661,500 | 584,841 | (76,659) |
| Intergovernmental | 7,629,285 | 8,483,195 | 9,297,372 | 814,177 |
| Charges for services | 3,063,242 | 3,063,242 | 3,862,112 | 798,870 |
| Investment income, net | 881,510 | 881,510 | 529,131 | (352,379) |
| Fines and forfeitures | 586,300 | 586,300 | 819,914 | 233,614 |
| Rental income | 1,570,882 | 1,570,882 | 1,336,756 | (234,126) |
| Miscellaneous | 2,525,700 | 2,714,891 | 2,603,193 | (111,698) |
| Total revenues | <u>57,074,155</u> | <u>58,148,334</u> | <u>58,020,291</u> | <u>(128,043)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 5,485,771 | 5,446,386 | 5,283,304 | 163,082 |
| Public safety | 34,398,999 | 35,067,361 | 34,441,868 | 625,493 |
| Community development | 2,939,593 | 3,169,646 | 2,918,971 | 250,675 |
| Community services | 7,645,934 | 7,881,149 | 7,284,303 | 596,846 |
| Public works | 5,831,676 | 5,769,636 | 5,131,010 | 638,626 |
| Capital outlay | 98,000 | 637,655 | 403,166 | 234,489 |
| Debt service: | | | | |
| Principal retirement | 435,389 | 435,389 | 435,389 | - |
| Interest and fiscal charges | 384,263 | 384,263 | 383,551 | 712 |
| Total expenditures | <u>57,219,625</u> | <u>58,791,485</u> | <u>56,281,562</u> | <u>2,509,923</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>(145,470)</u> | <u>(643,151)</u> | <u>1,738,729</u> | <u>2,381,880</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,050,000 | 1,050,000 | 1,050,000 | - |
| Transfers out | <u>(1,660,000)</u> | <u>(4,685,198)</u> | <u>(703,478)</u> | <u>3,981,720</u> |
| Total other financing sources (uses) | <u>(610,000)</u> | <u>(3,635,198)</u> | <u>346,522</u> | <u>3,981,720</u> |
| Net change in Fund Balance | <u>\$ (755,470)</u> | <u>\$ (4,278,349)</u> | <u>2,085,251</u> | <u>\$ 6,363,600</u> |
| Fund balance at beginning of the year | | | <u>34,008,086</u> | |
| Fund balance at end of the year | | | <u>\$ 36,093,337</u> | |

See accompanying note to required supplementary information.

CITY OF BREA, CALIFORNIA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
HOUSING SUCCESSOR FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budget Amounts | | Actual | Variance with |
|---------------------------------------|---------------------|---------------------|----------------------|---|
| | Original | Final | Amounts | Final Budget Positive/ (Negative) |
| Revenues: | | | | |
| Investment income, net | \$ 34,410 | \$ 34,410 | \$ 12,732 | \$ (21,678) |
| Other revenues | 191,900 | 191,900 | 324,722 | 132,822 |
| Total revenues | <u>226,310</u> | <u>226,310</u> | <u>337,454</u> | <u>111,144</u> |
| Expenditures: | | | | |
| Community Development | <u>339,169</u> | <u>334,350</u> | <u>278,802</u> | <u>55,548</u> |
| Net change in Fund Balance | <u>\$ (112,859)</u> | <u>\$ (108,040)</u> | <u>58,652</u> | <u>\$ 166,692</u> |
| Fund balance at beginning of the year | | | <u>20,662,864</u> | |
| Fund balance at end of the year | | | <u>\$ 20,721,516</u> | |

See accompanying note to required supplementary information.

CITY OF BREA, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

Budget Information

General Budget Policies

The City adheres to the following procedures in establishing the budgetary data reflected in its financial statements:

1. In May of each year, the City Manager submits to the City Council a proposed financial plan with an annual operating budget for the upcoming fiscal year commencing July 1. The operating budget includes proposed expenditures and the sources of financing.
2. Public hearings are conducted at City Council meetings to obtain taxpayer comments.
3. On or before July 1, the financial plan for the fiscal year is adopted by Council action.
4. The City Manager is authorized to transfer funds appropriated with respect to those classifications designated as other services and material and supplies within the same department. The City Manager may transfer appropriated funds from any classification within other expenditure categories to the capital outlay classification within the same department only; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Activities of the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds are included in the annual appropriated budget. As an additional internal control mechanism, project-length financial plans are adopted for the Capital Improvement Program.
5. Formal budgetary integration is employed as a management control device during the year for the governmental funds.
6. Legally adopted budgets for all governmental funds are established on a basis consistent with generally accepted accounting principles (GAAP). For the current fiscal year, the HOME Program special revenue fund had no adopted budget.

Excess of Expenditures Over Appropriation

For purposes of evaluating legal compliance at the budgetary level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount), control is established at the department level within the General Fund and at the fund level for total expenditures and transfers out for all other budgeted funds.

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SUPPLEMENTARY INFORMATION

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MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds

Capital Improvements Fund

The Capital Improvements Fund is used to account for the costs of constructing street improvements, parks and other public improvements not normally included within the other Capital Projects Funds. Financing is provided by Federal and State Grant Revenues and interfund transfers from the Special Revenue Funds and General Fund.

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CITY OF BREA, CALIFORNIA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2018**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive/ (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 24,468,576 | \$ 24,666,984 | \$ 13,503,439 | \$ (11,163,545) |
| Charges for services | 337,000 | 337,000 | 481,960 | 144,960 |
| Investment income, net | 216,320 | 216,320 | 36,521 | (179,799) |
| Developer contributions | 594,800 | 663,514 | 105,514 | (558,000) |
| Other revenues | 176,703 | 2,494,558 | 732,762 | (1,761,796) |
| Total revenues | <u>25,793,399</u> | <u>28,378,376</u> | <u>14,860,196</u> | <u>(13,518,180)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 90,096 | 90,096 | 81,293 | 8,803 |
| Capital Outlay | 25,864,843 | 47,734,128 | 20,795,469 | 26,938,659 |
| Total expenditures | <u>25,954,939</u> | <u>47,824,224</u> | <u>20,876,762</u> | <u>26,947,462</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>(161,540)</u> | <u>(19,445,848)</u> | <u>(6,016,566)</u> | <u>13,429,282</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 8,817,500 | 23,526,066 | 4,741,699 | (18,784,367) |
| Net change in fund balance | <u>\$ 8,655,960</u> | <u>\$ 4,080,218</u> | <u>(1,274,867)</u> | <u>\$ (5,355,085)</u> |
| Fund balance at beginning of the year | | | 9,005,509 | |
| Fund balance at end of the year | | | <u>\$ 7,730,642</u> | |

NON-MAJOR GOVERNMENTAL FUNDS

Non-major Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects.

The City of Brea has the following non-major Special Revenue Funds:

Gas Tax Fund

This fund is used to account for revenues received and expenditures made for street improvements and street maintenance. Financing is provided by the City's share of state gasoline taxes made pursuant to the California State Constitution and authorized by the State Legislature.

Narcotics Enforcement Asset Seizure Fund

This fund is used to account for revenues seized by the Police Department during narcotic investigations.

Air Quality Improvement Fund

This fund is used to account for revenues received from vehicle registration fees and restricted for improvement of air quality.

Park Development Fund

This fund is used to account for revenues received and expenditures made for park development and improvement. The primary source of revenue is park development fees collected from developers under the State of California's Quimby Act.

Measure M Fund

This fund is used to account for ½ cent sales tax restricted for expenditure for road maintenance and street expenditures.

Affordable Housing Trust Fund

This fund is used to account for revenues received and expenditures made for the development of low to moderate income housing. The primary source of revenue is fees collected from developers.

Community Development Block Grant Fund

This fund is used to account for the revenues received and expenditures made for the City's Community Development Block Grant Program. Financing is provided under an agreement with the County of Orange whereby the City is a secondary recipient of funds made available from the U.S. Department of Housing and Urban Development under the Housing and Community Development Act of 1974 and 1977.

Non-major Special Revenue Funds (Continued)

HOME Program Fund

This fund is used for the revenues received and expenditures made for housing rehabilitation. Financing is provided under an agreement with the County of Orange whereby the City is a secondary recipient of funds made available from the U.S. Department of Housing and Urban Development.

Blackstone Community Facilities District 2008-1 Fund

The fund is used to account for the collection of special taxes and expenditure for police, fire, maintenance and general city services including park maintenance and open space.

La Floresta Community Facilities District 2011-1 Fund

This fund is used to account for the collection of special taxes and expenditure for police, fire, maintenance and general city services.

Taylor Morrison Community Facilities District 2013-1 Fund

This fund is used to account for the collection of special taxes and expenditures for police, fire, maintenance and general city services.

Central Park Village Community Facilities District 2013-2 Fund

This fund is used to account for the collection of special taxes and expenditures for police, fire, maintenance and general city services.

Non-major Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

The City of Brea has the following non-major Capital Projects Funds:

Capital and Mitigation Improvement Fund

This fund is used to account for the revenues received and expenditures made for the City Council-designated Capital Improvement projects, as well as the implementation of measures designed to mitigate impacts related to development, and the operation of government facilities, including, but not limited to: traffic, noise, aesthetics, and open space preservation. Financing is provided by the July 14, 2009 Agreement between the City and County of Orange regarding the extension of the Olinda Alpha Landfill.

Storm Drain Fund

This fund is used to account for the financing and construction of storm drains throughout the City. Financing is provided by storm drain assessment fees.

Midbury Assessment Authority Fund

This fund is used to account for the collection and payment of neighborhood street improvements.

CITY OF BREA, CALIFORNIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

| | Special Revenue Funds | | | |
|---|-----------------------|---|----------------------------|---------------------|
| | Gas Tax | Narcotics Enforcement Asset Seizure | Air Quality Improvement | Park Development |
| Assets: | | | | |
| Cash and investments | \$ 1,248,965 | \$ 158,168 | \$ 227,520 | \$ 3,222,119 |
| Receivables: | | | | |
| Taxes | - | - | - | - |
| Notes and loans | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | 93,711 | - | 14,556 | - |
| Total assets | \$ 1,342,676 | \$ 158,168 | \$ 242,076 | \$ 3,222,119 |
| Liabilities, deferred inflows of resources and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other governments | - | - | - | - |
| Advances to other funds | - | - | - | - |
| Total liabilities | - | - | - | - |
| Fund balances (deficit): | | | | |
| Restricted: | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | 158,168 | - | - |
| Public works | 1,342,676 | - | 242,076 | - |
| Capital projects | - | - | - | 3,222,119 |
| Unassigned | - | - | - | - |
| Total fund balances (deficit) | 1,342,676 | 158,168 | 242,076 | 3,222,119 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,342,676 | \$ 158,168 | \$ 242,076 | \$ 3,222,119 |

| | Special Revenue Funds | | | |
|---|-----------------------|--------------------------|-----------------------------------|------------------|
| | Measure M | Affordable Housing Trust | Community Development Block Grant | HOME Program |
| Assets: | | | | |
| Cash and investments | \$ 1,925,915 | \$ 2,251,202 | \$ 35,211 | \$ - |
| Receivables: | | | | |
| Taxes | - | - | - | - |
| Notes and loans | - | 213,000 | 1,523,940 | 35,241 |
| Due from other funds | - | - | - | - |
| Due from other governments | 164,667 | - | 34,280 | - |
| Total assets | \$ 2,090,582 | \$ 2,464,202 | \$ 1,593,431 | \$ 35,241 |
| Liabilities, deferred inflows of resources and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 50,000 | \$ 74,285 | \$ - |
| Due to other governments | - | - | 1,523,940 | 35,241 |
| Advances to other funds | - | - | - | - |
| Total liabilities | - | 50,000 | 1,598,225 | 35,241 |
| Fund balances (deficit): | | | | |
| Restricted: | | | | |
| Community development projects | - | 2,414,202 | - | - |
| Public safety | - | - | - | - |
| Public works | 2,090,582 | - | - | - |
| Capital projects | - | - | - | - |
| Unassigned | - | - | (4,794) | - |
| Total fund balances (deficit) | 2,090,582 | 2,414,202 | (4,794) | - |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,090,582 | \$ 2,464,202 | \$ 1,593,431 | \$ 35,241 |

Continued

CITY OF BREA, CALIFORNIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

| | Special Revenue Funds | | | |
|---|-----------------------|--------------------|--------------------------|-----------------------------|
| | Blackstone CFD | La Floresta CFD | Taylor - Morrison CFD | Central Park Village CFD |
| Assets: | | | | |
| Cash and investments | \$ 2,050,312 | \$ 138,280 | \$ 92,603 | \$ 30,556 |
| Receivables: | | | | |
| Taxes | 18,654 | 5,523 | - | 52 |
| Notes and loans | - | - | - | - |
| Due from other funds | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | \$ 2,068,966 | \$ 143,803 | \$ 92,603 | \$ 30,608 |
| Liabilities, deferred inflows of resources and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 953 | \$ - | \$ - | \$ - |
| Due to other governments | - | - | - | - |
| Advances to other funds | - | - | - | - |
| Total liabilities | 953 | - | - | - |
| Fund balances (deficit): | | | | |
| Restricted: | | | | |
| Community development projects | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 2,068,013 | 143,803 | 92,603 | 30,608 |
| Capital projects | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances (deficit) | 2,068,013 | 143,803 | 92,603 | 30,608 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,068,966 | \$ 143,803 | \$ 92,603 | \$ 30,608 |

| | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|---|--|-------------------|------------------------------------|--|
| | Capital and Mitigation Improvement | Storm Drain | Midbury Assessment Authority | |
| Assets: | | | | |
| Cash and investments | \$ 203,447 | \$ 256,955 | \$ 7,206 | \$ 11,848,459 |
| Receivables: | | | | |
| Taxes | - | - | 92 | 24,321 |
| Notes and loans | - | - | - | 1,772,181 |
| Due from other funds | 3,900,000 | - | - | 3,900,000 |
| Due from other governments | - | - | - | 307,214 |
| Total assets | \$ 4,103,447 | \$ 256,955 | \$ 7,298 | \$ 17,852,175 |
| Liabilities, deferred inflows of resources and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 125,238 |
| Due to other governments | - | - | - | 1,559,181 |
| Advances to other funds | - | - | 12,157 | 12,157 |
| Total liabilities | - | - | 12,157 | 1,696,576 |
| Fund balances (deficit): | | | | |
| Restricted: | | | | |
| Community development projects | - | - | - | 2,414,202 |
| Public safety | - | - | - | 158,168 |
| Public works | - | - | - | 6,010,361 |
| Capital projects | 4,103,447 | 256,955 | - | 7,582,521 |
| Unassigned | - | - | (4,859) | (9,653) |
| Total fund balances (deficit) | 4,103,447 | 256,955 | (4,859) | 16,155,599 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 4,103,447 | \$ 256,955 | \$ 7,298 | \$ 17,852,175 |

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Special Revenue Funds | | | |
|--|-----------------------|---|----------------------------|---------------------|
| | Gas Tax | Narcotics Enforcement Asset Seizure | Air Quality Improvement | Park Development |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 1,202,030 | - | 56,625 | - |
| Charges for services | - | - | - | 3,663,983 |
| Investment income, net | 1,107 | 478 | 826 | (39,856) |
| Fines and forfeitures | - | 4,444 | - | - |
| Other revenues | - | - | - | - |
| Total revenues | <u>1,203,137</u> | <u>4,922</u> | <u>57,451</u> | <u>3,624,127</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | 35,090 | - | - |
| Community development | - | - | - | - |
| Public works | - | - | - | - |
| Total expenditures | <u>-</u> | <u>35,090</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,203,137</u> | <u>(30,168)</u> | <u>57,451</u> | <u>3,624,127</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(1,196,126)</u> | <u>-</u> | <u>(50,000)</u> | <u>(1,316,500)</u> |
| Net change in fund balances | 7,011 | (30,168) | 7,451 | 2,307,627 |
| Fund balances (deficit), beginning of year | <u>1,335,665</u> | <u>188,336</u> | <u>234,625</u> | <u>914,492</u> |
| Fund balances (deficit), end of year | <u>\$ 1,342,676</u> | <u>\$ 158,168</u> | <u>\$ 242,076</u> | <u>\$ 3,222,119</u> |

| Special Revenue Funds | | | | |
|--|---------------------|-----------------------------|---|-----------------|
| | Measure M | Affordable Housing Trust | Community Development Block Grant | HOME Program |
| Revenues: | | | | |
| Taxes | \$ 953,211 | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 264,532 | - |
| Charges for services | - | - | - | - |
| Investment income, net | 4,198 | 4,905 | - | - |
| Fines and forfeitures | - | - | - | - |
| Other revenues | - | - | - | - |
| Total revenues | <u>957,409</u> | <u>4,905</u> | <u>264,532</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Community development | - | 50,000 | 222,216 | - |
| Public works | 21,111 | - | - | - |
| Total expenditures | <u>21,111</u> | <u>50,000</u> | <u>222,216</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>936,298</u> | <u>(45,095)</u> | <u>42,316</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(979,103)</u> | <u>-</u> | <u>(40,000)</u> | <u>-</u> |
| Net change in fund balances | <u>(42,805)</u> | <u>(45,095)</u> | <u>2,316</u> | <u>-</u> |
| Fund balances (deficit), beginning of year | <u>2,133,387</u> | <u>2,459,297</u> | <u>(7,110)</u> | <u>-</u> |
| Fund balances (deficit), end of year | <u>\$ 2,090,582</u> | <u>\$ 2,414,202</u> | <u>\$ (4,794)</u> | <u>\$ -</u> |

Continued

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Special Revenue Funds | | | |
|--|-----------------------|--------------------|-------------------------|-----------------------------|
| | Blackstone CFD | La Floresta CFD | Taylor- Morrison CFD | Central Park Village CFD |
| Revenues: | | | | |
| Taxes | \$ 775,766 | \$ 271,849 | \$ 48,111 | \$ 30,859 |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income, net | 8,157 | 526 | 331 | (251) |
| Fines and forfeitures | - | - | - | - |
| Other revenues | - | 30 | - | - |
| Total revenues | 783,923 | 272,405 | 48,442 | 30,608 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 718,381 | 274,452 | 41,891 | - |
| Community development | - | - | - | - |
| Public works | 236,278 | 1,704 | - | - |
| Total expenditures | 954,659 | 276,156 | 41,891 | - |
| Excess (deficiency) of revenues over (under) expenditures | (170,736) | (3,751) | 6,551 | 30,608 |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | - | - |
| Net change in fund balances | (170,736) | (3,751) | 6,551 | 30,608 |
| Fund balances (deficit), beginning of year | 2,238,749 | 147,554 | 86,052 | - |
| Fund balances (deficit), end of year | \$ 2,068,013 | \$ 143,803 | \$ 92,603 | \$ 30,608 |

| | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|--|--|-------------------|------------------------------------|--|
| | Capital and Mitigation Improvement | Storm Drain | Midbury Assessment Authority | |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ 7,694 | \$ 2,087,490 |
| Intergovernmental | - | - | - | 1,523,187 |
| Charges for services | - | - | - | 3,663,983 |
| Investment income, net | 18,840 | 555 | 42 | (142) |
| Fines and forfeitures | - | - | - | 4,444 |
| Other revenues | - | - | - | 30 |
| Total revenues | 18,840 | 555 | 7,736 | 7,278,992 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | 433 | 433 |
| Public safety | - | - | - | 1,069,814 |
| Community development | - | - | - | 272,216 |
| Public works | - | - | - | 259,093 |
| Total expenditures | - | - | 433 | 1,601,556 |
| Excess (deficiency) of revenues over (under) expenditures | 18,840 | 555 | 7,303 | 5,677,436 |
| Other financing sources (uses): | | | | |
| Transfers out | (917,795) | - | - | (4,499,524) |
| Net change in fund balances | (898,955) | 555 | 7,303 | 1,177,912 |
| Fund balances (deficit), beginning of year | 5,002,402 | 256,400 | (12,162) | 14,977,687 |
| Fund balances (deficit), end of year | \$ 4,103,447 | \$ 256,955 | \$ (4,859) | \$ 16,155,599 |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-----------------------|----------------------|----------------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive/</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Intergovernmental | \$ 921,498 | \$ 1,168,464 | \$ 1,202,030 | \$ 33,566 |
| Investment income, net | 19,830 | 19,830 | 1,107 | (18,723) |
| Total revenues | <u>941,328</u> | <u>1,188,294</u> | <u>1,203,137</u> | <u>14,843</u> |
| Excess of revenues over expenditures | <u>941,328</u> | <u>1,188,294</u> | <u>1,203,137</u> | <u>14,843</u> |
| Other financing sources (uses): | | | | |
| Transfers out | (1,197,500) | (2,147,777) | (1,196,126) | 951,651 |
| Net change in fund balance | <u>\$ (256,172)</u> | <u>\$ (959,483)</u> | <u>7,011</u> | <u>\$ 966,494</u> |
| Fund balance at beginning of the year | | | <u>1,335,665</u> | |
| Fund balance at end of the year | | | <u><u>\$ 1,342,676</u></u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NARCOTICS ENFORCEMENT ASSET SEIZURE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|---|-----------------------|------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Investment income, net | \$ 4,340 | \$ 4,340 | \$ 478 | \$ (3,862) |
| Fines and forfeitures | 75,000 | 75,000 | 4,444 | (70,556) |
| Total revenues | <u>79,340</u> | <u>79,340</u> | <u>4,922</u> | <u>(74,418)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | <u>202,114</u> | <u>46,411</u> | <u>35,090</u> | <u>11,321</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>(122,774)</u> | <u>32,929</u> | <u>(30,168)</u> | <u>(63,097)</u> |
| Net change in fund balance | <u>\$ (122,774)</u> | <u>\$ 32,929</u> | <u>(30,168)</u> | <u>\$ (63,097)</u> |
| Fund balance at beginning of the year | | | <u>188,336</u> | |
| Fund balance at end of the year | | | <u>\$ 158,168</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|---|-----------------------|-------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 44,000 | \$ 44,000 | \$ 56,625 | \$ 12,625 |
| Investment income, net | 2,490 | 2,490 | 826 | (1,664) |
| Total revenues | <u>46,490</u> | <u>46,490</u> | <u>57,451</u> | <u>10,961</u> |
| Excess of revenues over expenditures | <u>46,490</u> | <u>46,490</u> | <u>57,451</u> | <u>10,961</u> |
| Other financing sources (uses): | | | | |
| Transfers out | - | (50,000) | (50,000) | - |
| Net change in fund balance | <u>\$ 46,490</u> | <u>\$ (3,510)</u> | <u>7,451</u> | <u>\$ 10,961</u> |
| Fund balance at beginning of the year | | | <u>234,625</u> | |
| Fund balance at end of the year | | | <u><u>\$ 242,076</u></u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-----------------------|---------------------|----------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive/</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Charges for services | \$ 695,019 | \$ 695,019 | \$ 3,663,983 | \$ 2,968,964 |
| Investment income, net | 460 | 460 | (39,856) | (40,316) |
| Total revenues | <u>695,479</u> | <u>695,479</u> | <u>3,624,127</u> | <u>2,928,648</u> |
| Excess of revenues over expenditures | <u>695,479</u> | <u>695,479</u> | <u>3,624,127</u> | <u>2,928,648</u> |
| Other financing sources (uses): | | | | |
| Transfers out | - | (1,621,473) | (1,316,500) | 304,973 |
| Net change in fund balance | <u>\$ 695,479</u> | <u>\$ (925,994)</u> | <u>2,307,627</u> | <u>\$ 3,233,621</u> |
| Fund balance at beginning of the year | | | <u>914,492</u> | |
| Fund balance at end of the year | | | <u>\$ 3,222,119</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MEASURE M SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budget Amounts | | Actual | Variance with |
|--|-------------------|-----------------------|---------------------|---|
| | Original | Final | Amounts | Final Budget Positive/ (Negative) |
| Revenues: | | | | |
| Taxes | \$ 952,837 | \$ 952,837 | \$ 953,211 | \$ 374 |
| Investment income, net | 25,760 | 25,760 | 4,198 | (21,562) |
| Total revenues | <u>978,597</u> | <u>978,597</u> | <u>957,409</u> | <u>(21,188)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 32,907 | 32,907 | 21,111 | 11,796 |
| Excess (deficiency) of revenues | | | | |
| over(under) expenditures | <u>945,690</u> | <u>945,690</u> | <u>936,298</u> | <u>9,392</u> |
| Other financing sources (uses): | | | | |
| Transfers out | (680,000) | (2,281,668) | (979,103) | 1,302,565 |
| Net change in fund balance | <u>\$ 265,690</u> | <u>\$ (1,335,978)</u> | <u>(42,805)</u> | <u>\$ 1,311,957</u> |
| Fund balance at beginning of the year | | | <u>2,133,387</u> | |
| Fund balance at end of the year | | | <u>\$ 2,090,582</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AFFORDABLE HOUSING TRUST SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------|-----------------------|------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive/</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Investment income, net | \$ 31,470 | \$ 31,470 | \$ 4,905 | \$ (26,565) |
| Other revenues | 100,000 | 100,000 | - | (100,000) |
| Total revenues | <u>131,470</u> | <u>131,470</u> | <u>4,905</u> | <u>(126,565)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | <u>-</u> | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 131,470</u> | <u>\$ 81,470</u> | <u>(45,095)</u> | <u>\$ (126,565)</u> |
| Fund balance at beginning of the year | | | <u>2,459,297</u> | |
| Fund balance at end of the year | | | <u>\$ 2,414,202</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|---|-----------------------|------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 380,000 | \$ 643,663 | \$ 264,532 | \$ (379,131) |
| Expenditures: | | | | |
| Current: | | | | |
| Community development | 180,000 | 329,663 | 222,216 | 107,447 |
| Excess (deficiency) of revenues over(under) expenditures | <u>200,000</u> | <u>314,000</u> | <u>42,316</u> | <u>(271,684)</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(200,000)</u> | <u>(314,000)</u> | <u>(40,000)</u> | <u>274,000</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>2,316</u> | <u>\$ 2,316</u> |
| Fund balance at beginning of the year | | | <u>(7,110)</u> | |
| Fund balance at end of the year | | | <u>\$ (4,794)</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BLACKSTONE CFD SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|---|------------------------|-------------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 786,000 | \$ 786,000 | \$ 775,766 | \$ (10,234) |
| Investment income, net | 34,460 | 34,460 | 8,157 | (26,303) |
| Total revenues | <u>820,460</u> | <u>820,460</u> | <u>783,923</u> | <u>(36,537)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 600,185 | 718,381 | 718,381 | - |
| Public works | 290,970 | 256,285 | 236,278 | 20,007 |
| Total expenditures | <u>891,155</u> | <u>974,666</u> | <u>954,659</u> | <u>20,007</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>(70,695)</u> | <u>(154,206)</u> | <u>(170,736)</u> | <u>(16,530)</u> |
| Net change in fund balance | <u>\$ (70,695)</u> | <u>\$ (154,206)</u> | <u>(170,736)</u> | <u>\$ (16,530)</u> |
| Fund balance at beginning of the year | | | <u>2,238,749</u> | |
| Fund balance at end of the year | | | <u>\$ 2,068,013</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LA FLORESTA CFD SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-----------------------|-------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive/</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Taxes | \$ 500,000 | \$ 500,000 | \$ 271,849 | \$ (228,151) |
| Investment income, net | 2,940 | 2,940 | 526 | (2,414) |
| Other Revenues | - | - | 30 | 30 |
| Total revenues | <u>502,940</u> | <u>502,940</u> | <u>272,405</u> | <u>(230,535)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 204,952 | 274,452 | 274,452 | - |
| Public works | 7,401 | 1,704 | 1,704 | - |
| Total expenditures | <u>212,353</u> | <u>276,156</u> | <u>276,156</u> | <u>-</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>290,587</u> | <u>226,784</u> | <u>(3,751)</u> | <u>(230,535)</u> |
| Net change in fund balance | <u>\$ 290,587</u> | <u>\$ 226,784</u> | <u>(3,751)</u> | <u>\$ (230,535)</u> |
| Fund balance at beginning of the year | | | <u>147,554</u> | |
| Fund balance at end of the year | | | <u>\$ 143,803</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TAYLOR-MORRISON CFD SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|---|-----------------------|------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 48,256 | \$ 48,256 | \$ 48,111 | \$ (145) |
| Investment income, net | 1,110 | 1,110 | 331 | (779) |
| Total revenues | <u>49,366</u> | <u>49,366</u> | <u>48,442</u> | <u>(924)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 34,441 | 41,891 | 41,891 | - |
| Total expenditures | <u>34,441</u> | <u>41,891</u> | <u>41,891</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>49,366</u> | <u>49,366</u> | <u>6,551</u> | <u>42,815</u> |
| Net change in fund balance | <u>\$ 49,366</u> | <u>\$ 49,366</u> | <u>6,551</u> | <u>\$ 42,815</u> |
| Fund balance at beginning of the year | | | <u>86,052</u> | |
| Fund balance at end of the year | | | <u>\$ 92,603</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CENTRAL PARK VILLAGE CFD SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budget Amounts | | Actual | Variance with |
|---|-----------------|-----------------|-------------------|---|
| | Original | Final | Amounts | Final Budget Positive/ (Negative) |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ 30,859 | \$ 30,859 |
| Investment income, net | - | - | (251) | (251) |
| Total revenues | <u>-</u> | <u>-</u> | <u>30,608</u> | <u>30,608</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>30,608</u> | <u>\$ (30,608)</u> |
| Fund balance at beginning of the year | | | <u>-</u> | |
| Fund balance at end of the year | | | <u>\$ 30,608</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL AND MITIGATION IMPROVEMENT CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-----------------------|---------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive/</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Investment income, net | \$ 75,730 | \$ 75,730 | \$ 18,840 | \$ (56,890) |
| Excess of revenues over expenditures | <u>75,730</u> | <u>75,730</u> | <u>18,840</u> | <u>(56,890)</u> |
| Other financing sources (uses): | | | | |
| Transfers out | - | (917,795) | (917,795) | - |
| Net change in fund balance | <u>\$ 75,730</u> | <u>\$ (842,065)</u> | <u>(898,955)</u> | <u>\$ (56,890)</u> |
| Fund balance at beginning of the year | | | <u>5,002,402</u> | |
| Fund balance at end of the year | | | <u>\$ 4,103,447</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STORM DRAIN CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budget Amounts | | Actual | Variance with |
|---------------------------------------|-----------------|-----------------|-------------------|---|
| | Original | Final | Amounts | Final Budget Positive/ (Negative) |
| Revenues: | | | | |
| Investment income, net | \$ 3,710 | \$ 3,710 | \$ 555 | \$ (3,155) |
| Net change in fund balance | <u>\$ 3,710</u> | <u>\$ 3,710</u> | <u>555</u> | <u>\$ (3,155)</u> |
| Fund balance at beginning of the year | | | <u>256,400</u> | |
| Fund balance at end of the year | | | <u>\$ 256,955</u> | |

CITY OF BREA, CALIFORNIA

**SCHEDULE TO REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MIDBURY ASSESSMENT AUTHORITY CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-----------------------|-----------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| | | | | <u>Positive/</u> |
| | | | | <u>(Negative)</u> |
| Revenues: | | | | |
| Taxes | \$ 7,718 | \$ 7,718 | \$ 7,694 | \$ (24) |
| Investment income, net | 80 | 80 | 42 | (38) |
| Total revenues | <u>7,798</u> | <u>7,798</u> | <u>7,736</u> | <u>(62)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 468 | 468 | 433 | 35 |
| Net change in fund balance | <u>\$ 7,330</u> | <u>\$ 7,330</u> | <u>7,303</u> | <u>\$ 27</u> |
| Fund balance at beginning of the year | | | <u>(12,162)</u> | |
| Fund balance at end of the year | | | <u>\$ (4,859)</u> | |

NON-MAJOR PROPRIETARY FUNDS

Urban Runoff Fund

The fund is used to account for the City's urban runoff operations, which are financed and operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

Sanitation Fund

The fund is used to account for the City's refuse collection and street sweeping operations, which are operated in a manner similar to a private enterprise. User charges finance the operations of this fund.

Information Technology External Support Fund

This fund is used to account for the operations of the Information Technology Division's contractual information technology services to other agencies. The costs (expenses including depreciation) of providing these services to participating cities on a continuing basis are financed or recovered primarily through user charges.

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2018**

| | Urban Runoff | Sanitation | Information Technology External Support | Total |
|---|-------------------|-----------------------|--|-----------------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 564,366 | \$ - | \$ 713,493 | \$ 1,277,859 |
| Accounts receivable | 63,098 | 635,095 | 304,238 | 1,002,431 |
| Due from other governments | - | 11,371 | - | 11,371 |
| Total current assets | <u>627,464</u> | <u>646,466</u> | <u>1,017,731</u> | <u>2,291,661</u> |
| Noncurrent: | | | | |
| Capital assets - net of accumulated depreciation | 1,327 | - | - | 1,327 |
| Total assets | <u>628,791</u> | <u>646,466</u> | <u>1,017,731</u> | <u>2,292,988</u> |
| Deferred outflows of resources: | | | | |
| Deferred pension related items | 46,512 | 207,826 | 674,805 | 929,143 |
| Deferred OPEB related items | 2,823 | 11,879 | 51,748 | 66,450 |
| Total deferred outflows of resources | <u>49,335</u> | <u>219,705</u> | <u>726,553</u> | <u>995,593</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 18,637 | 275,267 | 2,271 | 296,175 |
| Due to other funds | - | 280,711 | - | 280,711 |
| Compensated absences, due within one year | - | 8,211 | 74,551 | 82,762 |
| Total current liabilities | <u>18,637</u> | <u>564,189</u> | <u>76,822</u> | <u>659,648</u> |
| Noncurrent: | | | | |
| Compensated absences, due in more than one year | - | 2,737 | 24,850 | 27,587 |
| Net pension liability | 309,651 | 2,151,949 | 2,677,179 | 5,138,779 |
| Total OPEB liability | 62,091 | 261,300 | 1,138,337 | 1,461,728 |
| Total noncurrent liabilities | <u>371,742</u> | <u>2,415,986</u> | <u>3,840,366</u> | <u>6,628,094</u> |
| Total liabilities | <u>390,379</u> | <u>2,980,175</u> | <u>3,917,188</u> | <u>7,287,742</u> |
| Deferred inflows of resources: | | | | |
| Deferred pension related items | 34,731 | 375,258 | (47,970) | 362,019 |
| Deferred OPEB related items | 5,009 | 21,078 | 91,826 | 117,913 |
| Total deferred inflows of resources | <u>39,740</u> | <u>396,336</u> | <u>43,856</u> | <u>479,932</u> |
| Net position (deficit): | | | | |
| Net investment in capital assets | 1,327 | - | - | 1,327 |
| Unrestricted | 246,680 | (2,510,340) | (2,216,760) | (4,480,420) |
| Total net position (deficit) | <u>\$ 248,007</u> | <u>\$ (2,510,340)</u> | <u>\$ (2,216,760)</u> | <u>\$ (4,479,093)</u> |

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Urban Runoff | Sanitation | Information Technology External Support | Total |
|---|-------------------|-----------------------|--|-----------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 410,150 | \$ 2,815,304 | \$ 1,695,050 | \$ 4,920,504 |
| Fines and forfeitures | 131 | - | - | 131 |
| Other revenues | 8,144 | 912,646 | - | 920,790 |
| Total operating revenues | <u>418,425</u> | <u>3,727,950</u> | <u>1,695,050</u> | <u>5,841,425</u> |
| Operating expenses: | | | | |
| Personnel services | 245,091 | 778,880 | 1,643,702 | 2,667,673 |
| Maintenance and operation | 148,343 | 2,487,311 | 138,447 | 2,774,101 |
| Depreciation expense | 938 | - | - | 938 |
| Total operating expenses | <u>394,372</u> | <u>3,266,191</u> | <u>1,782,149</u> | <u>5,442,712</u> |
| Operating income (loss) | <u>24,053</u> | <u>461,759</u> | <u>(87,099)</u> | <u>398,713</u> |
| Nonoperating revenues (expenses): | | | | |
| Intergovernmental revenues | - | 11,154 | - | 11,154 |
| Interest revenues (expense) | 647 | (2,310) | 2,677 | 1,014 |
| Total nonoperating revenues (expenses) | <u>647</u> | <u>8,844</u> | <u>2,677</u> | <u>12,168</u> |
| Income (loss) before contributions and transfers | <u>24,700</u> | <u>470,603</u> | <u>(84,422)</u> | <u>410,881</u> |
| Transfers: | | | | |
| Transfers out | - | (400,000) | (50,000) | (450,000) |
| Change in net position | <u>24,700</u> | <u>70,603</u> | <u>(134,422)</u> | <u>(39,119)</u> |
| Net position (deficit) at beginning of year | 286,981 | (2,312,975) | (914,951) | (2,940,945) |
| Restatement of net position | (63,674) | (267,968) | (1,167,387) | (1,499,029) |
| Net position (deficit) at beginning of year, as restated | <u>223,307</u> | <u>(2,580,943)</u> | <u>(2,082,338)</u> | <u>(4,439,974)</u> |
| Net position (deficit) at end of year | <u>\$ 248,007</u> | <u>\$ (2,510,340)</u> | <u>\$ (2,216,760)</u> | <u>\$ (4,479,093)</u> |

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Urban Runoff | Sanitation | Information Technology External Support | Total |
|---|-------------------|-------------------|--|---------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers and users | \$ 420,650 | \$ 3,712,076 | \$ 1,720,764 | \$ 5,853,490 |
| Cash payments to suppliers for goods and services | (136,948) | (2,440,103) | (199,337) | (2,776,388) |
| Cash payments to employees for services | (231,762) | (880,817) | (1,452,859) | (2,565,438) |
| Net cash provided by operating activities | 51,940 | 391,156 | 68,568 | 511,664 |
| Cash flows from non-capital financing activities: | | | | |
| Cash transfers out | - | (400,000) | (50,000) | (450,000) |
| Intergovernmental revenues | - | 11,154 | - | 11,154 |
| Net cash provided by (used for) noncapital financing activities | - | (388,846) | (50,000) | (438,846) |
| Cash flows from investing activities: | | | | |
| Interest received | - | (2,310) | - | (2,310) |
| Interest paid | 647 | - | 2,677 | 3,324 |
| Net increase in cash and cash equivalents | 52,587 | - | 21,245 | 73,832 |
| Cash and Cash Equivalents at Beginning of Year | 511,779 | - | 692,248 | 1,204,027 |
| Cash and Cash Equivalents at End of Year | <u>\$ 564,366</u> | <u>\$ -</u> | <u>\$ 713,493</u> | <u>\$ 1,277,859</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | \$ 24,053 | \$ 461,759 | \$ (87,099) | \$ 398,713 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 938 | - | - | 938 |
| (Increase) decrease in accounts receivable | 2,225 | (27,287) | 25,714 | 652 |
| (Increase) decrease in due from other governments | - | 11,413 | - | 11,413 |
| (Decrease) increase in accounts payable | 14,982 | 66,361 | (1,315) | 80,028 |
| (Decrease) in accrued liabilities | (3,587) | (19,153) | (59,575) | (82,315) |
| (Decrease) in due to other funds | - | (159,183) | - | (159,183) |
| Increase in compensated absences | - | (4,607) | (7,458) | (12,065) |
| Increase in net pension liability | 12,726 | 59,322 | 187,273 | 259,321 |
| Increase in net OPEB liability | 603 | 2,531 | 11,028 | 14,162 |
| Total adjustments | 27,887 | (70,603) | 155,667 | 112,951 |
| Net cash provided by (used for) operating activities | \$ 51,940 | \$ 391,156 | \$ 68,568 | \$ 511,664 |

Non-cash investing, capital and financing activities:

There was no non-cash investing, capital or financing activities during the year.

INTERNAL SERVICE FUNDS

Risk Management Fund

This fund is used to account for the costs of operating a self-insurance program for general liability, workers' compensation, long-term disability and unemployment compensation. Such costs to other departments are billed at a predetermined rate set annually during the budget process.

Information Technology Fund

This fund is used to account for the operations of the City's internal information technology division. Such costs are billed to the departments and/or division based upon a predetermined rate set during the budget process. This is a new fund that was established by management.

Vehicle Maintenance Fund

This fund was created to account for the costs of operating a maintenance facility for automotive equipment used by other City departments. Such costs to other departments are billed at a predetermined cost per mile charge that includes depreciation. This charge is set annually during the budget process. The Vehicle Maintenance Fund is responsible for financing replacement vehicles, as necessary.

Building Occupancy Fund

This fund is used to account for the costs of operating a building maintenance program for City facilities. Such costs to other departments are billed at a predetermined rate set annually during the budget process.

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018**

| | Risk Management | Information Technology | Vehicle Replacement | Building Occupancy | Totals 2018 |
|--|---------------------|---------------------------|------------------------|-----------------------|----------------------|
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 5,175,175 | \$ 98,654 | \$ 969,724 | \$ 509,686 | \$ 6,753,239 |
| Prepaid Expenses | - | - | 508,676 | - | 508,676 |
| Receivables: | | | | | |
| Accounts | - | - | 5,913 | - | 5,913 |
| Total current assets | 5,175,175 | 98,654 | 1,484,313 | 509,686 | 7,267,828 |
| Noncurrent assets: | | | | | |
| Capital assets, net of accumulated depreciation | - | - | 3,781,170 | 1,342,873 | 5,124,043 |
| Advances to other funds | 289,255 | - | - | - | 289,255 |
| Total noncurrent assets | 289,255 | - | 3,781,170 | 1,342,873 | 5,413,298 |
| Total assets | 5,464,430 | 98,654 | 5,265,483 | 1,852,559 | 12,681,126 |
| Deferred outflows of resources: | | | | | |
| Deferred pension related items | 111,833 | 296,221 | 255,767 | 323,643 | 987,464 |
| Deferred OPEB related items | 5,645 | 96,169 | 16,583 | 20,464 | 138,861 |
| Total Deferred outflows of resources | 117,478 | 392,390 | 272,350 | 344,107 | 1,126,325 |
| Total Assets and Deferred Outflows of Resources | 5,581,908 | 491,044 | 5,537,833 | 2,196,666 | 13,807,451 |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 8,776 | 12,795 | 115,881 | 120,893 | 258,345 |
| Compensated absences, due within one year | - | - | 24,179 | 44,466 | 68,645 |
| Claims and judgments, due within one year | 1,908,119 | - | - | - | 1,908,119 |
| Total current liabilities | 1,916,895 | 12,795 | 140,060 | 165,359 | 2,235,109 |
| Non-current liabilities: | | | | | |
| Compensated absences, due in more than one year | - | - | 8,060 | 14,822 | 22,882 |
| Claims and judgments, due in more than one year | 3,113,247 | - | - | - | 3,113,247 |
| Net pension liability | 458,061 | 554,129 | 1,353,469 | 1,506,032 | 3,871,691 |
| Total OPEB liability | 124,182 | 1,145,882 | 364,785 | 450,160 | 2,085,009 |
| Total non-current liabilities | 3,695,490 | 1,700,011 | 1,726,314 | 1,971,014 | 9,092,829 |
| Total liabilities | 5,612,385 | 1,712,806 | 1,866,374 | 2,136,373 | 11,327,938 |
| Deferred inflows of resources: | | | | | |
| Deferred pension related items | 16,440 | (63,135) | 96,798 | 66,906 | 117,009 |
| Deferred OPEB related items | 10,017 | 59,067 | 29,426 | 36,313 | 134,823 |
| Total deferred inflows of resources | 26,457 | (4,068) | 126,224 | 103,219 | 251,832 |
| Net position: | | | | | |
| Net investment in capital assets | - | - | 3,781,170 | 1,342,873 | 5,124,043 |
| Unrestricted | (56,934) | (1,217,694) | (235,935) | (1,385,799) | (2,896,362) |
| Total net position | \$ (56,934) | \$ (1,217,694) | \$ 3,545,235 | \$ (42,926) | \$ 2,227,681 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 5,581,908 | \$ 491,044 | \$ 5,537,833 | \$ 2,196,666 | \$ 13,807,451 |

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Risk Management | Information Technology | Vehicle Maintenance | Building Occupancy | Total |
|---|--------------------|---------------------------|------------------------|-----------------------|---------------------|
| Operating revenues: | | | | | |
| Charge for service | \$ 2,959,908 | \$ 2,489,400 | \$ 2,043,738 | \$ 2,517,852 | \$ 10,010,898 |
| Other revenues | 400,156 | - | 101,189 | 91,154 | 592,499 |
| Total operating revenues | <u>3,360,064</u> | <u>2,489,400</u> | <u>2,144,927</u> | <u>2,609,006</u> | <u>10,603,397</u> |
| Operating expenses: | | | | | |
| Personnel services | 239,571 | 2,602,897 | 633,574 | 900,452 | 4,376,494 |
| Maintenance and operation | 1,135,532 | - | 1,021,404 | 1,594,965 | 3,751,901 |
| Claims and judgements | 2,287,760 | - | - | - | 2,287,760 |
| Depreciation expense | - | - | 675,464 | 119,607 | 795,071 |
| Total operating expenses | <u>3,662,863</u> | <u>2,602,897</u> | <u>2,330,442</u> | <u>2,615,024</u> | <u>11,211,226</u> |
| Operating income (loss) | <u>(302,799)</u> | <u>(113,497)</u> | <u>(185,515)</u> | <u>(6,018)</u> | <u>(607,829)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Interest revenue (expense) | 3,402 | (5,793) | 5,708 | (2,849) | 468 |
| Gain (loss) on disposal of capital assets | - | - | 5,648 | - | 5,648 |
| Total nonoperating revenues (expenses) | <u>3,402</u> | <u>(5,793)</u> | <u>11,356</u> | <u>(2,849)</u> | <u>6,116</u> |
| Income (loss) before transfers | <u>(299,397)</u> | <u>(119,290)</u> | <u>(174,159)</u> | <u>(8,867)</u> | <u>(601,713)</u> |
| Transfers: | | | | | |
| Transfers in | - | - | 61,303 | - | 61,303 |
| Transfers out | (200,000) | - | - | - | (200,000) |
| Total transfers | <u>(200,000)</u> | <u>-</u> | <u>61,303</u> | <u>-</u> | <u>(138,697)</u> |
| Change in net position | <u>(499,397)</u> | <u>(119,290)</u> | <u>(112,856)</u> | <u>(8,867)</u> | <u>(740,410)</u> |
| Net position at beginning of Year | 569,814 | - | 4,032,184 | 427,588 | 5,029,586 |
| Restatement of net position | (127,351) | (1,098,404) | (374,093) | (461,647) | (2,061,495) |
| Net position at beginning of Year, as restated | <u>442,463</u> | <u>(1,098,404)</u> | <u>3,658,091</u> | <u>(34,059)</u> | <u>2,968,091</u> |
| Net position at end of year | <u>\$ (56,934)</u> | <u>\$ (1,217,694)</u> | <u>\$ 3,545,235</u> | <u>\$ (42,926)</u> | <u>\$ 2,227,681</u> |

CITY OF BREA, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2018

| | Risk Management | Information Technology | Vehicle Maintenance | Building Occupancy | Total |
|---|---------------------|---------------------------|------------------------|-----------------------|---------------------|
| Cash flows from operating activities: | | | | | |
| Cash received from users and departments | \$ 3,362,953 | \$ 2,489,400 | \$ 2,143,937 | \$ 2,621,135 | \$ 10,617,425 |
| Cash payments to suppliers for goods and services | (1,113,378) | 566,924 | (1,467,509) | (1,478,723) | (3,492,686) |
| Cash payments to employees for services | (2,013,022) | (2,951,877) | (657,383) | (952,873) | (6,575,155) |
| Net cash provided by (used for) operating activities | <u>236,553</u> | <u>104,447</u> | <u>19,045</u> | <u>189,539</u> | <u>549,584</u> |
| Cash flows from non-capital financing activities: | | | | | |
| Cash transfers out | (200,000) | - | - | - | (200,000) |
| Cash transfers in | - | - | 61,303 | - | 61,303 |
| Advances received from other funds | 576,863 | - | - | - | 576,863 |
| Net cash provided by (used for) noncapital financing activities | <u>376,863</u> | <u>-</u> | <u>61,303</u> | <u>-</u> | <u>438,166</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | - | - | (375,967) | - | (375,967) |
| Proceeds from sale of capital assets | - | - | 5,648 | - | 5,648 |
| Principal and interest paid on long-term debt | - | - | - | (173,762) | (173,762) |
| Net cash provided by (used for) capital and related financing activities | <u>-</u> | <u>-</u> | <u>(370,319)</u> | <u>(173,762)</u> | <u>(544,081)</u> |
| Cash flows from investing activities: | | | | | |
| Interest received | 3,402 | (5,793) | 5,708 | - | 3,317 |
| Net cash provided by (used for) investing activities | <u>3,402</u> | <u>(5,793)</u> | <u>5,708</u> | <u>-</u> | <u>3,317</u> |
| Net increase (decreased) in cash and cash equivalents | 616,818 | 98,654 | (284,263) | 15,777 | 446,986 |
| Cash and Cash Equivalents at Beginning of Year | 4,558,357 | - | 1,253,987 | 493,909 | 6,306,253 |
| Cash and Cash Equivalents at End of Year | <u>\$ 5,175,175</u> | <u>\$ 98,654</u> | <u>\$ 969,724</u> | <u>\$ 509,686</u> | <u>6,753,239</u> |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | | | | | |
| Operating income (loss) | <u>\$ (302,799)</u> | <u>\$ (113,497)</u> | <u>\$ (185,515)</u> | <u>\$ (6,018)</u> | <u>\$ (607,829)</u> |
| Adjustments to reconcile operating income (loss) net cash provided by (used for) operating activities: | | | | | |
| Depreciation | - | - | 675,464 | 119,607 | 795,071 |
| Decrease in prepaid expenses | - | - | (508,676) | - | (508,676) |
| Decrease in accounts receivable | 2,889 | - | (990) | - | 1,899 |
| Increase (decrease) in accounts payable | (22,251) | 12,795 | (5,187) | 8,992 | (5,651) |
| Increase (decrease) in accrued liabilities | (6,847) | - | (19,097) | (29,816) | (55,760) |
| Increase in claims and judgements | 524,175 | - | - | - | 524,175 |
| Increase in compensated absences | - | - | (4,329) | 3,137 | (1,192) |
| (Decrease) in net pension liability | 40,183 | 194,773 | 63,840 | 89,274 | 388,070 |
| (Decrease) in total OPEB liability | 1,203 | 10,376 | 3,535 | 4,363 | 19,477 |
| Total adjustments | <u>539,352</u> | <u>217,944</u> | <u>204,560</u> | <u>195,557</u> | <u>1,157,413</u> |
| Net cash provided by (used for) operating activities | <u>\$ 236,553</u> | <u>\$ 104,447</u> | <u>\$ 19,045</u> | <u>\$ 189,539</u> | <u>\$ 549,584</u> |

Non-cash investing, capital and financing activities:

There was no non-cash investing, capital or financing activities during the year.

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AGENCY FUNDS

Bexley Assessment District 2001-1 Fund

This fund was created to account for collection and payment of neighborhood sewer improvements.

Hillside Open Space Education Coalition

This fund is used to account for the funds received to educate the public as to the importance of hillside preservation.

Downtown Community Facilities District 1996-1 Fund

This fund is used to account for the collection and payment to the holders of the 2014 Special Tax Bonds.

Olinda Heights Community Facilities District 1997-1 Fund

This fund is used to account for the collection and payment to the holders of the 2005 Special Tax Bonds.

Brea Plaza Community Facilities District 2008-02 Fund

This fund is used to account for the collection and payment to the holders of the 2017 Special Tax Bonds.

Integrated Law and Justice Agency of Orange County (ILJAOC) Fund

This fund is used to account for the collection and payment related to a joint venture agreement with several other public agencies of Orange County. The City acts as a treasurer for the ILJAOC.

CITY OF BREA, CALIFORNIA

**COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 2018**

| | <u>Bexley</u> | <u>Hillside Open Space Education Coalition</u> | <u>Downtown</u> | <u>Olinda Heights</u> |
|---|---------------|--|-------------------|---------------------------|
| Assets: | | | | |
| Cash and investments | \$ - | \$ 537,995 | \$ 256,216 | \$ 399,874 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Taxes | - | - | - | 7,810 |
| Due from other governments | - | - | - | - |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | - | 163,771 | 446,894 |
| Capital assets: | | | | |
| Capital assets, net of accumulated depreciation | - | - | - | - |
| Total assets | \$ - | \$ 537,995 | \$ 419,987 | \$ 854,578 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,889 | \$ 282 |
| Accrued liabilities | - | 537,995 | - | - |
| Due to the City of Brea | - | - | - | - |
| Due to external parties/other agencies | - | - | 418,098 | 854,296 |
| Total liabilities | \$ - | \$ 537,995 | \$ 419,987 | \$ 854,578 |

| <u>Brea Plaza</u> | <u>ILJAO</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|
| \$ 590,551 | \$ 3,669,998 | \$ 5,454,634 |
| - | 17,361 | 17,361 |
| - | - | 7,810 |
| - | 19,065 | 19,065 |
| 674,907 | - | 1,285,572 |
| - | 275,324 | 275,324 |
| <u>\$ 1,265,458</u> | <u>\$ 3,981,748</u> | <u>\$ 7,059,766</u> |
| | | |
| \$ 4,309 | \$ 231,632 | \$ 238,112 |
| - | - | 537,995 |
| - | - | - |
| 1,261,149 | 3,750,116 | 6,283,659 |
| <u>\$ 1,265,458</u> | <u>\$ 3,981,748</u> | <u>\$ 7,059,766</u> |

CITY OF BREA, CALIFORNIA

**COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2018</u> |
|---|---------------------------------|-------------------|-------------------|----------------------------------|
| <u>Bexley</u> | | | | |
| Assets | | | | |
| Receivables: | | | | |
| Accounts | \$ 9,936 | \$ 1,006 | \$ 10,942 | \$ - |
| Liabilities | | | | |
| Due to City of Brea | \$ 9,936 | \$ 1,006 | \$ 10,942 | \$ - |
| <u>Hillside Open Space Education Coalition</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 536,884 | \$ 9,498 | \$ 8,387 | \$ 537,995 |
| Liabilities | | | | |
| Accrued liabilities | \$ 536,884 | \$ 9,498 | \$ 8,387 | \$ 537,995 |
| <u>Downtown</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 260,732 | \$ 261,435 | \$ 265,951 | \$ 256,216 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 163,319 | 230,479 | 230,027 | 163,771 |
| Total Assets | <u>\$ 424,051</u> | <u>\$ 491,914</u> | <u>\$ 495,978</u> | <u>\$ 419,987</u> |
| Liabilities | | | | |
| Accounts payable | \$ 1,245 | \$ 20,372 | \$ 19,728 | \$ 1,889 |
| Accrued liabilities | 424 | 424 | 848 | - |
| Due to external parties/other agencies | 422,382 | 263,140 | 267,424 | 418,098 |
| Total Liabilities | <u>\$ 424,051</u> | <u>\$ 283,936</u> | <u>\$ 288,000</u> | <u>\$ 419,987</u> |
| <u>Olinda Heights</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 369,750 | \$ 504,209 | \$ 474,085 | \$ 399,874 |
| Receivables: | | | | |
| Taxes | 9,007 | 7,810 | 9,007 | 7,810 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 465,154 | 432,989 | 451,249 | 446,894 |
| Total Assets | <u>\$ 843,911</u> | <u>\$ 945,008</u> | <u>\$ 934,341</u> | <u>\$ 854,578</u> |
| Liabilities | | | | |
| Accounts payable | \$ 32 | \$ 10,436 | \$ 10,186 | \$ 282 |
| Accrued liabilities | 1,060 | 1,060 | 2,120 | - |
| Due to external parties/other agencies | 842,819 | 501,047 | 489,570 | 854,296 |
| Total Liabilities | <u>\$ 843,911</u> | <u>\$ 512,543</u> | <u>\$ 501,876</u> | <u>\$ 854,578</u> |

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|-----------------------------|----------------------|----------------------|--------------------------|
| <u>Brea Plaza</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 386,788 | \$ 713,597 | \$ 509,834 | \$ 590,551 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 837,908 | 9,305,538 | 9,468,539 | 674,907 |
| Total Assets | <u>\$ 1,224,696</u> | <u>\$ 10,019,135</u> | <u>\$ 9,978,373</u> | <u>\$ 1,265,458</u> |
| Liabilities | | | | |
| Accounts payable | \$ 59 | \$ 34,417 | \$ 30,167 | \$ 4,309 |
| Accrued liabilities | 587 | 587 | 1,174 | - |
| Due to external parties/other agencies | 1,224,050 | 9,536,547 | 9,499,448 | 1,261,149 |
| Total Liabilities | <u>\$ 1,224,696</u> | <u>\$ 9,571,551</u> | <u>\$ 9,530,789</u> | <u>\$ 1,265,458</u> |
| <u>ILJAOC</u> | | | | |
| Assets | | | | |
| Cash and investments | \$ 3,365,333 | \$ 1,248,127 | \$ 943,462 | \$ 3,669,998 |
| Receivables: | | | | |
| Accounts | 7,723 | 17,361 | 7,723 | 17,361 |
| Due from other governments | 19,065 | 860,787 | 860,787 | 19,065 |
| Capital assets: | | | | |
| Capital assets, net of depreciations | 468,006 | - | 192,682 | 275,324 |
| Total Assets | <u>\$ 3,860,127</u> | <u>\$ 2,126,275</u> | <u>\$ 2,004,654</u> | <u>\$ 3,981,748</u> |
| Liabilities | | | | |
| Accounts payable | \$ 276,855 | \$ 816,380 | \$ 861,603 | \$ 231,632 |
| Due to external parties/other agencies | 3,583,272 | 1,201,889 | 1,035,045 | 3,750,116 |
| Total Liabilities | <u>\$ 3,860,127</u> | <u>\$ 2,018,269</u> | <u>\$ 1,896,648</u> | <u>\$ 3,981,748</u> |
| Total Agency Funds | | | | |
| Assets | | | | |
| Cash and investments | \$ 4,919,487 | \$ 2,736,866 | \$ 2,201,719 | \$ 5,454,634 |
| Receivables: | | | | |
| Taxes | 9,007 | 7,810 | 9,007 | 7,810 |
| Accounts | 17,659 | 18,367 | 18,665 | 17,361 |
| Due from other governments | 19,065 | 860,787 | 860,787 | 19,065 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | 1,466,381 | 9,969,006 | 10,149,815 | 1,285,572 |
| Capital assets: | | | | |
| Capital assets, net of depreciations | 468,006 | - | 192,682 | 275,324 |
| Total Assets | <u>\$ 6,899,605</u> | <u>\$ 13,592,836</u> | <u>\$ 13,432,675</u> | <u>\$ 7,059,766</u> |
| Liabilities | | | | |
| Accounts payable | \$ 278,191 | \$ 881,605 | \$ 921,684 | \$ 238,112 |
| Accrued liabilities | 538,955 | 11,569 | 12,529 | 537,995 |
| Due to City of Brea | 9,936 | 1,006 | 10,942 | - |
| Due to external parties/other agencies | 6,072,523 | 11,502,623 | 11,291,487 | 6,283,659 |
| Total Liabilities | <u>\$ 6,899,605</u> | <u>\$ 12,396,803</u> | <u>\$ 12,236,642</u> | <u>\$ 7,059,766</u> |

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STATISTICAL SECTION

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STATISTICAL SECTION

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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CITY OF BREA

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

| | Fiscal Year 2008-09 | Fiscal Year 2009-10 | Fiscal Year 2010-11 | Fiscal Year 2011-12 | Fiscal Year 2012-13 | Fiscal Year 2013-14 | Fiscal Year 2014-15 | Fiscal Year 2015-16 | Fiscal Year 2016-17 | Fiscal Year 2017-18 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 43,350,936 | \$ 49,313,284 | \$ 40,774,347 | \$ 36,846,317 | \$ 165,031,654 | \$ 164,750,324 | \$ 158,976,819 | \$ 165,493,107 | \$ 170,548,467 | \$ 204,322,724 |
| Restricted | 46,271,092 | 62,325,348 | 73,800,755 | 26,596,796 | 53,379,627 | 48,418,876 | 56,883,753 | 54,629,374 | 52,867,078 | 54,134,339 |
| Unrestricted | (21,203,642) | (34,372,602) | (33,277,968) | 157,129,179 | 29,028,179 | 30,997,188 | (64,027,907) | (58,217,717) | (57,154,376) | (78,106,848) |
| Total governmental activities net position | \$ 68,418,386 | \$ 77,266,030 | \$ 81,297,134 | \$ 220,572,292 | \$ 247,439,460 | \$ 244,166,388 | \$ 151,832,665 | \$ 161,904,764 | \$ 166,261,169 | \$ 180,350,215 |
| Business-type Activities | | | | | | | | | | |
| Net investment of capital assets | \$ 44,774,355 | \$ 45,690,842 | \$ 27,869,296 | \$ 36,107,809 | \$ 36,804,832 | \$ 31,396,904 | \$ 33,367,826 | \$ 33,174,074 | \$ 42,091,695 | \$ 58,347,144 |
| Restricted | 1,885,573 | - | 7,028,848 | 5,217,299 | 7,411,252 | 5,213,677 | 6,203,193 | 6,165,829 | 5,641,012 | 5,657,518 |
| Unrestricted | 6,368,112 | 7,101,987 | 13,592,110 | 7,695,077 | 6,023,885 | 19,603,041 | 8,603,346 | 12,637,920 | 14,392,925 | 15,322,371 |
| Total business-type activities net position | \$ 53,028,040 | \$ 52,792,829 | \$ 48,490,254 | \$ 49,020,185 | \$ 50,239,969 | \$ 56,213,622 | \$ 48,174,365 | \$ 51,977,823 | \$ 62,125,632 | \$ 79,327,033 |
| Primary Government | | | | | | | | | | |
| Net investment of capital assets | \$ 88,125,291 | \$ 95,004,126 | \$ 68,643,643 | \$ 72,954,126 | \$ 201,836,486 | \$ 196,147,228 | \$ 192,344,645 | \$ 198,667,181 | \$ 212,640,162 | \$ 262,669,868 |
| Restricted | 48,156,665 | 62,325,348 | 80,829,603 | 31,814,095 | 60,790,879 | 53,632,553 | 63,086,946 | 60,795,203 | 58,508,090 | 59,791,857 |
| Unrestricted | (14,835,530) | (27,270,615) | (19,685,858) | 164,824,256 | 35,052,064 | 50,600,229 | (55,424,561) | (45,579,797) | (42,761,451) | (62,784,477) |
| Total primary government net position | \$ 121,446,426 | \$ 130,058,859 | \$ 129,787,388 | \$ 269,592,477 | \$ 297,679,429 | \$ 300,380,010 | \$ 200,007,030 | \$ 213,882,587 | \$ 228,386,801 | \$ 259,677,248 |

CITY OF BREA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual basis of accounting)

| | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|-------------|
| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | | |
| Expenses: | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | |
| General government | \$ 11,501,616 | \$ 8,516,391 | \$ 7,530,948 | \$ 9,747,589 | \$ 7,495,185 | \$ 7,352,190 | \$ 7,569,787 | \$ 7,297,652 | \$ 7,758,276 | \$ 6,679,825 | | |
| Public safety | 36,993,799 | 35,756,811 | 36,221,221 | 39,166,833 | 35,849,288 | 31,408,789 | 32,409,727 | 31,372,155 | 33,938,469 | 40,137,072 | | |
| Community Development | 9,214,020 | 17,213,948 | 11,056,047 | 2,312,830 | 2,615,088 | 5,201,569 | 2,836,727 | 3,010,978 | 3,403,082 | 3,784,020 | | |
| Community services | 6,907,228 | 6,154,495 | 6,106,128 | 6,623,220 | 6,622,332 | 7,023,682 | 7,441,012 | 7,267,829 | 7,598,666 | 8,054,662 | | |
| Public Works | 10,608,001 | 7,075,398 | 19,991,034 | 15,240,604 | 9,718,841 | 10,092,864 | 12,367,078 | 13,544,061 | 16,306,542 | 18,324,571 | | |
| Interest on long-term debt | 8,779,300 | 9,607,504 | 9,228,093 | 2,414,053 | 501,265 | 458,021 | 435,772 | 435,207 | 414,974 | 380,159 | | |
| Total governmental activities expenses | 84,003,964 | 84,324,547 | 90,133,471 | 75,505,129 | 62,801,999 | 61,537,115 | 63,060,103 | 62,927,882 | 69,420,009 | 77,360,309 | | |
| Business-type activities: | | | | | | | | | | | | |
| Urban run-off | 226,256 | 284,692 | 244,479 | 269,518 | 288,517 | 310,717 | 388,493 | 415,328 | 376,623 | 396,030 | | |
| Water utility | 11,272,767 | 14,025,354 | 14,067,772 | 15,512,551 | 14,883,425 | 16,048,442 | 15,752,822 | 14,085,433 | 14,882,443 | 17,306,036 | | |
| Sewer utility | 1,307,733 | 1,073,775 | 1,080,134 | 1,227,087 | 1,353,552 | 1,525,820 | 1,575,738 | 1,590,905 | 1,630,319 | 1,896,662 | | |
| Sanitation | 2,444,076 | 2,486,588 | 2,565,324 | 2,706,954 | 2,789,289 | 2,849,515 | 2,910,840 | 2,937,684 | 3,045,308 | 3,283,613 | | |
| Information Technology External Support | 1,329,165 | 1,958,140 | 1,230,704 | 1,269,800 | 1,271,540 | 1,228,919 | 1,240,462 | 1,312,899 | 1,724,116 | 1,790,154 | | |
| Total business-type activities expenses | 16,579,997 | 19,828,549 | 19,188,413 | 20,985,910 | 20,586,323 | 21,963,413 | 21,868,355 | 20,342,249 | 21,658,809 | 24,672,495 | | |
| Total primary government expenses | \$ 100,583,961 | \$ 104,153,096 | \$ 109,321,884 | \$ 96,491,039 | \$ 83,388,322 | \$ 83,500,528 | \$ 84,928,458 | \$ 83,270,131 | \$ 91,078,818 | \$ 102,032,804 | | |
| Program Revenues: | | | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | | | |
| Charges for services: | | | | | | | | | | | | |
| General government | \$ 1,013,985 | \$ 730,875 | \$ 433,932 | \$ 2,177,602 | \$ 1,890,749 | \$ 1,631,098 | \$ 1,663,401 | \$ 1,765,913 | \$ 1,605,816 | \$ 1,403,754 | | |
| Public safety | 12,624,891 | 13,651,052 | 12,878,402 | 13,155,339 | 7,315,925 | 1,533,213 | 1,376,553 | 1,282,646 | 1,297,025 | 1,689,176 | | |
| Community Development | 21,926 | 604,565 | 567,237 | 583,339 | 1,535,351 | 1,092,041 | 998,141 | 1,577,964 | 2,151,955 | 4,619,615 | | |
| Community services | 3,074,717 | 3,304,933 | 2,248,603 | 1,737,725 | 3,638,056 | 4,672,523 | 5,640,412 | 3,021,505 | 2,818,718 | 3,023,144 | | |
| Public Works | 490,302 | 469,533 | 2,262,329 | 1,955,188 | 1,688,142 | 1,909,409 | 1,706,630 | 1,257,168 | 1,610,889 | 506,348 | | |
| Operating contributions and grants | 6,362,517 | 5,111,923 | 3,542,733 | 6,364,114 | 4,955,213 | 3,502,773 | 3,238,366 | 3,399,311 | 2,632,718 | 3,964,816 | | |
| Capital contributions and grants | 6,761,134 | 15,640,554 | 4,501,863 | 8,472,778 | 3,495,573 | 1,187,623 | 3,908,617 | 2,336,984 | 5,668,485 | 43,192,575 | | |
| Total governmental activities program revenues | 30,349,472 | 39,513,435 | 26,435,099 | 34,446,085 | 24,519,009 | 15,528,680 | 18,532,120 | 14,641,491 | 17,785,606 | 58,399,428 | | |
| Business-type activities: | | | | | | | | | | | | |
| Charges for services: | | | | | | | | | | | | |
| Urban run-off | 329,143 | 333,760 | 351,123 | 377,950 | 361,321 | 380,256 | 384,523 | 402,205 | 412,086 | 418,426 | | |
| Water utility | 10,565,259 | 11,344,697 | 11,834,601 | 14,085,133 | 16,401,415 | 18,813,373 | 18,242,242 | 18,520,362 | 20,098,490 | 22,885,107 | | |
| Sewer utility | 1,875,014 | 1,894,176 | 2,008,507 | 1,932,161 | 2,018,405 | 2,136,760 | 2,141,422 | 2,236,813 | 2,322,756 | 2,239,774 | | |
| Sanitation | 2,959,536 | 3,037,508 | 3,138,125 | 3,158,430 | 3,199,135 | 3,317,183 | 3,431,013 | 3,531,648 | 3,584,153 | 3,727,950 | | |
| Information Technology External Support | 1,679,249 | 1,546,020 | 1,642,756 | 1,676,577 | 1,499,019 | 1,472,730 | 1,532,097 | 1,807,305 | 1,959,634 | 1,695,050 | | |
| Operating contributions and grants | - | - | 11,323 | 11,323 | 11,323 | 11,371 | - | 11,371 | 525,165 | 501,959 | | |
| Capital contributions and grants | 214,182 | 389,905 | - | - | - | 1,209,000 | 1,521,000 | - | - | 14,285,715 | | |
| Total business-type activities program revenues | 17,622,383 | 18,546,066 | 18,986,435 | 21,241,574 | 23,490,618 | 27,340,673 | 27,252,297 | 24,509,704 | 28,902,284 | 45,753,981 | | |
| Primary government program revenues | \$ 47,971,855 | \$ 58,059,501 | \$ 45,421,534 | \$ 55,687,659 | \$ 48,009,627 | \$ 42,869,353 | \$ 45,784,417 | \$ 39,151,195 | \$ 46,687,890 | \$ 104,153,409 | | |
| Net (Expense)/Revenue: | | | | | | | | | | | | |
| Governmental activities | \$ (53,654,492) | \$ (44,811,112) | \$ (63,698,372) | \$ (41,059,044) | \$ (36,282,990) | \$ (46,008,435) | \$ (44,527,983) | \$ (48,286,391) | \$ (51,634,403) | \$ (18,960,881) | | |
| Business-type activities | 1,042,386 | (1,282,483) | (201,978) | 255,664 | 2,904,295 | 5,377,260 | 5,383,942 | 4,167,455 | 7,243,475 | 21,081,486 | | |
| Total primary government net expense | \$ (52,612,106) | \$ (46,093,595) | \$ (63,900,350) | \$ (40,803,380) | \$ (35,378,695) | \$ (40,631,175) | \$ (39,144,041) | \$ (44,118,936) | \$ (44,390,928) | \$ 2,120,605 | | |

General Revenues and Other Changes in Net Position:

| | | | | | | | | | | | | | | | | | | |
|--|----|---------------|----|---------------|----|---------------|----|----------------|----|---------------|----|----------------|----|---------------|----|---------------|----|---------------|
| Governmental activities: | | | | | | | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | | | | | | | |
| Property taxes | \$ | 34,580,106 | \$ | 31,765,514 | \$ | 35,480,231 | \$ | 31,974,080 | \$ | 12,320,889 | \$ | 13,314,758 | \$ | 16,656,050 | \$ | 17,887,984 | \$ | 19,357,620 |
| Transient occupancy taxes | | 1,213,362 | | 1,176,279 | | 1,227,168 | | 1,280,631 | | 1,401,140 | | 1,513,160 | | 1,605,590 | | 1,716,180 | | 1,786,589 |
| Sales taxes | | 16,492,209 | | 15,065,207 | | 16,918,523 | | 19,248,771 | | 19,315,104 | | 20,657,918 | | 21,611,873 | | 21,200,598 | | 19,235,559 |
| Franchise taxes | | 1,513,468 | | 1,480,286 | | 1,707,497 | | 1,706,631 | | 1,693,964 | | 1,682,274 | | 1,589,950 | | 1,680,293 | | 1,594,432 |
| Business licenses taxes | | 1,079,260 | | 1,035,032 | | 948,184 | | 975,742 | | 985,391 | | 1,054,054 | | 1,101,915 | | 1,078,509 | | 1,107,537 |
| Other taxes | | 371,063 | | 396,676 | | 379,639 | | 555,291 | | 690,840 | | 860,520 | | 797,475 | | 392,075 | | 579,840 |
| Motor vehicle in lieu | | 183,026 | | 163,475 | | 184,311 | | 70,227 | | 71,847 | | 68,846 | | 72,551 | | 75,398 | | 79,899 |
| Use of money and property | | 1,425,966 | | 2,012,565 | | 4,054,982 | | 1,242,184 | | 603,010 | | 802,974 | | 1,602,076 | | 1,110,886 | | 1,482,370 |
| Gain on sale of assets | | - | | - | | - | | - | | 6,923 | | 76,461 | | 83,139 | | (1,731) | | 23,639 |
| Contributions to permanent funds | | - | | - | | - | | 1,322,891 | | - | | - | | - | | - | | - |
| Other | | 1,687,278 | | 567,310 | | 1,675,428 | | 1,177,781 | | 2,820,335 | | 1,812,159 | | 3,891,552 | | 9,725,201 | | 3,686,032 |
| Extraordinary gain on dissolution of Redevelopment Agency ¹ | | - | | - | | - | | 119,686,954 | | 21,522,303 | | - | | - | | - | | - |
| Transfers | | 920,557 | | (3,588) | | 5,153,514 | | 1,093,019 | | 3,256,862 | | 892,239 | | 1,590,527 | | 1,125,415 | | 450,000 |
| Total governmental activities | | 59,466,295 | | 53,658,756 | | 67,729,477 | | 180,334,202 | | 64,688,608 | | 42,735,363 | | 50,602,698 | | 55,990,808 | | 49,383,517 |
| Business-type activities: | | | | | | | | | | | | | | | | | | |
| Use of money and property | | 392,553 | | 972,854 | | 1,052,916 | | 415,256 | | 54,871 | | 125,999 | | 303,514 | | (23,077) | | (25,014) |
| Other | | - | | 70,830 | | - | | 952,030 | | 1,320,699 | | 1,362,633 | | 401,566 | | 250,269 | | 44,024 |
| Transfers | | (920,557) | | 3,588 | | (5,153,514) | | (1,093,019) | | (3,256,862) | | (892,239) | | (1,590,527) | | (1,125,415) | | (450,000) |
| Total business-type activities | | (528,004) | | 1,047,272 | | (4,100,598) | | 274,267 | | (1,881,292) | | 596,393 | | (885,447) | | (898,223) | | (430,990) |
| Total primary government | | \$ 58,938,291 | | \$ 54,706,028 | | \$ 63,628,879 | | \$ 180,608,469 | | \$ 62,807,316 | | \$ 43,331,756 | | \$ 49,717,251 | | \$ 55,092,585 | | \$ 48,952,527 |
| Change in Net Position: | | | | | | | | | | | | | | | | | | |
| Governmental activities | | \$ 5,811,803 | | \$ 8,847,644 | | \$ 4,031,105 | | \$ 139,275,158 | | \$ 26,405,618 | | \$ (3,273,072) | | \$ 2,316,307 | | \$ 4,356,405 | | \$ 30,422,636 |
| Business-type activities | | 514,382 | | (235,211) | | (4,302,576) | | 529,931 | | 1,023,003 | | 5,973,653 | | 3,282,008 | | 6,345,252 | | 20,650,496 |
| Total primary government | | \$ 6,326,185 | | \$ 8,612,433 | | \$ (271,471) | | \$ 139,805,089 | | \$ 27,428,621 | | \$ 2,700,581 | | \$ 5,598,315 | | \$ 10,701,657 | | \$ 51,073,132 |

¹During the fiscal year ended June 30, 2012, the assets, liabilities and fund balances of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of the dissolution of Redevelopment Agencies in California.

CITY OF BREA

FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)

| | Fiscal Year 2008-09 | Fiscal Year 2009-10 | Fiscal Year 2010-11 ¹ | Fiscal Year 2011-12 ² | Fiscal Year 2012-13 ³ | Fiscal Year 2013-14 | Fiscal Year 2014-15 | Fiscal Year 2015-16 | Fiscal Year 2016-17 | Fiscal Year 2017-18 |
|------------------------------------|------------------------|------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 1,380,677 | \$ 785,545 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 20,855,888 | 21,339,180 | - | - | - | - | - | - | - | - |
| Nonspendable | - | - | 362,049 | 1,580,778 | 1,675,150 | 1,096,665 | 856,591 | 615,605 | 412,659 | 139,562 |
| Restricted | - | - | 870,294 | 926,483 | 1,191,585 | 1,161,494 | 1,392,800 | 7,448,016 | 8,201,746 | 8,112,011 |
| Committed | - | - | 7,048,285 | 6,546,809 | 7,496,895 | 8,649,210 | 8,616,218 | 9,091,623 | - | 867,841 |
| Assigned | - | - | 798,915 | 590,613 | 667,696 | 800,857 | 573,064 | 590,815 | 11,316,072 | 12,270,563 |
| Unassigned | - | - | 16,998,367 | 21,075,761 | 21,224,287 | 21,046,657 | 23,586,834 | 19,154,869 | 14,077,609 | 14,703,360 |
| Total general fund | \$ 22,236,565 | \$ 22,124,725 | \$ 26,077,910 | \$ 30,720,444 | \$ 32,255,613 | \$ 32,754,883 | \$ 35,025,507 | \$ 36,900,928 | \$ 34,008,086 | \$ 36,093,337 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 28,011,213 | \$ 47,477,075 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 10,753,310 | 9,623,245 | - | - | - | - | - | - | - | - |
| Capital projects funds | 32,341,656 | 22,796,432 | - | - | - | - | - | - | - | - |
| Debt service funds | 17,927,243 | 12,049,980 | - | - | - | - | - | - | - | - |
| Nonspendable | - | - | 21,711,076 | - | - | 18,212,052 | 18,067,123 | - | - | - |
| Restricted | - | - | 70,255,597 | 25,670,313 | 52,188,042 | 29,045,330 | 28,721,740 | 47,181,358 | 44,665,332 | 44,617,410 |
| Assigned | - | - | 9,915,996 | 1,705,413 | - | - | - | - | - | - |
| Unassigned | - | - | (335,374) | (54,141) | (144,652) | (89,971) | (78,497) | (79,171) | (19,272) | (9,653) |
| Total all other governmental funds | \$ 89,033,422 | \$ 91,946,732 | \$ 101,547,295 | \$ 27,321,585 | \$ 52,043,390 | \$ 47,167,411 | \$ 46,710,366 | \$ 47,102,187 | \$ 44,646,060 | \$ 44,607,757 |

¹ During the fiscal year ended June 30, 2011, the City adopted GASB Statement 54 which established new categories for fund balance.

² During the fiscal year ended June 30, 2012, the assets, liabilities (current and long-term debt obligations) and fund balances of the former Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of the dissolution of redevelopment agencies in California.

³ During the fiscal year ended June 30, 2013, the Successor Agency transferred to the City of Brea the housing assets of the former Brea Redevelopment Agency.

CITY OF BREA

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

| | Fiscal Year 2008-09 | Fiscal Year 2009-10 | Fiscal Year 2010-11 | Fiscal Year 2011-12 | Fiscal Year 2012-13 | Fiscal Year 2013-14 | Fiscal Year 2014-15 | Fiscal Year 2015-16 | Fiscal Year 2016-17 | Fiscal Year 2017-18 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 56,253,190 | \$ 55,174,409 | \$ 53,658,443 | \$ 52,965,161 | \$ 33,464,585 | \$ 35,621,119 | \$ 37,453,770 | \$ 40,526,309 | \$ 40,215,974 | \$ 41,074,462 |
| Licenses and permits | 496,386 | 488,491 | 502,449 | 468,154 | 485,113 | 608,664 | 645,054 | 782,250 | 870,940 | 584,841 |
| Intergovernmental | 6,208,976 | 3,678,295 | 9,065,309 | 9,057,154 | 7,391,599 | 5,921,198 | 7,992,057 | 10,535,171 | 9,506,268 | 24,323,998 |
| Contributions | - | 13,400,000 | - | 6,012,024 | 2,299,568 | 199,811 | 497,304 | 2,080 | 535 | 105,514 |
| Charges for services | 15,041,718 | 14,754,248 | 17,578,136 | 16,383,685 | 12,386,985 | 7,416,279 | 8,125,141 | 5,451,452 | 6,188,947 | 8,008,055 |
| Use of money and property ¹ | 5,219,651 | 3,833,071 | 3,625,103 | 3,212,863 | 1,797,849 | 2,580,210 | 2,379,065 | 2,778,480 | 2,542,341 | 1,914,998 |
| Fines and forfeitures | 1,834,868 | 2,160,058 | 1,823,981 | 1,811,929 | 1,500,354 | 1,067,593 | 842,001 | 790,247 | 597,476 | 824,358 |
| Miscellaneous | 2,612,448 | 2,566,836 | 3,431,088 | 5,032,030 | 5,377,484 | 2,907,555 | 3,025,893 | 2,852,006 | 5,462,816 | 3,660,707 |
| Total revenues | 87,667,237 | 96,035,408 | 89,684,509 | 94,943,000 | 64,703,537 | 56,322,429 | 60,960,275 | 63,717,995 | 65,385,297 | 80,496,933 |
| Expenditures: | | | | | | | | | | |
| General Government | 7,125,057 | 6,302,472 | 6,199,044 | 6,889,583 | 5,569,582 | 5,479,851 | 5,635,476 | 5,751,038 | 5,645,218 | 5,365,030 |
| Public Safety | 36,548,783 | 35,669,855 | 34,916,663 | 36,925,686 | 35,270,155 | 31,461,089 | 31,340,804 | 33,095,380 | 34,377,568 | 35,511,682 |
| Development Services ² | 9,177,580 | 5,177,066 | - | - | - | - | - | - | - | - |
| Community Development ² | - | - | 6,581,513 | 2,213,502 | 2,669,989 | 5,206,914 | 2,853,942 | 3,191,325 | 3,470,595 | 3,469,989 |
| Community Services | 6,470,313 | 6,108,153 | 5,808,160 | 5,930,685 | 6,141,746 | 6,450,201 | 6,750,909 | 7,048,955 | 7,395,363 | 7,284,303 |
| Maintenance Services ² | 6,935,005 | 4,201,954 | - | - | - | - | - | - | - | - |
| Public Works ² | - | - | 4,550,487 | 4,715,759 | 4,769,385 | 4,925,155 | 5,200,858 | 5,456,277 | 5,778,004 | 5,390,103 |
| Capital Outlay | 7,601,076 | 13,152,533 | 26,027,011 | 12,901,819 | 6,896,432 | 7,350,289 | 8,129,441 | 9,372,430 | 14,808,389 | 21,198,635 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 7,268,934 | 8,476,465 | 8,402,943 | 9,021,235 | 368,460 | 350,000 | 370,000 | 618,132 | 410,411 | 435,389 |
| Interest and fiscal charges | 7,900,652 | 8,899,460 | 8,980,763 | 4,246,122 | 460,878 | 439,402 | 416,792 | 420,772 | 397,243 | 383,551 |
| Debt issuance costs | 720,002 | 145,961 | 649,830 | - | - | - | - | - | - | - |
| Pass-through agreement payments | 2,564,792 | 3,437,854 | 2,537,558 | 457,812 | - | - | - | - | - | - |
| SERAF payment | - | 8,983,766 | 1,849,599 | - | - | - | - | - | - | - |
| Total expenditures | 92,312,194 | 100,555,539 | 106,503,571 | 83,302,203 | 62,146,627 | 61,662,901 | 60,698,222 | 64,954,309 | 72,282,791 | 79,038,682 |
| Excess (deficiency) of revenues over (under) expenditures | (4,644,957) | (4,520,131) | (16,819,062) | 11,640,797 | 2,556,910 | (5,340,472) | 262,053 | (1,236,314) | (6,897,494) | 1,458,251 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | 27,097,193 | 23,268,409 | 33,603,347 | 11,074,821 | 6,904,709 | 5,890,552 | 6,507,993 | 4,378,333 | 10,082,394 | 5,791,699 |
| Transfers out | (25,761,520) | (23,361,808) | (28,816,796) | (10,207,113) | (4,733,798) | (4,934,249) | (4,956,467) | (2,826,881) | (8,533,869) | (5,203,002) |
| Sale of capital assets | - | - | - | - | 6,850 | 7,460 | - | - | - | - |
| Capital leases | 327,376 | - | - | - | - | - | - | 1,952,104 | - | - |
| Long-term debt issued | 20,925,000 | 7,415,000 | 38,594,323 | - | - | - | - | - | - | - |
| Refunded debt redeemed | (12,060,000) | - | (13,185,000) | - | - | - | - | - | - | - |
| Bond premium | - | - | - | - | - | - | - | - | - | - |
| Bond discount | - | - | (174,757) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 10,528,049 | 7,321,601 | 30,372,811 | 867,708 | 2,177,761 | 963,763 | 1,551,526 | 3,503,556 | 1,548,525 | 588,697 |
| Extraordinary gain on dissolution of Redevelopment Agency ^{3,4} | - | - | - | (82,091,681) | 21,522,303 | - | - | - | - | - |
| Net change in fund balances | \$ 5,883,092 | \$ 2,801,470 | \$ 13,553,749 | \$ (69,583,176) | \$ 26,256,974 | \$ (4,376,709) | \$ 1,813,579 | \$ 2,267,242 | \$ (5,348,969) | \$ 2,046,948 |
| Debt service as a percentage of noncapital expenditures | 18.76% | 20.05% | 20.10% | 17.30% | 1.52% | 1.43% | 1.41% | 1.87% | 1.41% | 1.42% |

¹ Beginning fiscal year ended June 30, 2010, the amount reported is a combination of investment and rental income.² Effective July 1, 2010, the Development and Maintenance Services Departments were eliminated and the Community Development and Public Works Departments were created due to the City of Brea's reorganization plan.³ During the fiscal year ended June 30, 2012, the assets, liabilities (current and long-term debt obligations) and fund balances of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of the dissolution of redevelopment agencies in California.⁴ During the fiscal year ended June 30, 2013, the Successor Agency transferred to the City of Brea the housing assets of the former Brea Redevelopment Agency.

CITY OF BREA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30 | Residential Property | Commercial Property | Industrial Property | Other Property ¹ | Total Taxable Assessed Value ² | Total Direct Tax Rate |
|------------------------------------|-------------------------|------------------------|------------------------|--------------------------------|--|-----------------------------|
| 2009 | 3,420,432,796 | 1,535,537,061 | 1,161,803,074 | 917,687,313 | 7,035,460,244 | 0.17402 |
| 2010 | 3,319,962,213 | 1,554,892,370 | 1,199,008,537 | 905,419,292 | 6,979,282,412 | 0.17402 |
| 2011 | 3,579,683,419 | 1,548,534,540 | 1,135,559,625 | 753,830,318 | 7,017,607,902 | 0.17402 |
| 2012 | 3,637,044,394 | 1,543,677,299 | 1,077,624,463 | 723,537,802 | 6,981,883,958 | 0.17402 |
| 2013 | 3,805,741,803 | 1,544,954,532 | 1,145,495,173 | 682,982,424 | 7,179,173,932 | 0.17402 |
| 2014 | 3,927,143,843 | 1,569,625,782 | 1,112,039,475 | 839,411,616 | 7,448,220,716 | 0.17402 |
| 2015 | 4,377,268,712 | 1,580,151,775 | 1,167,513,932 | 826,734,462 | 7,951,668,881 | 0.17402 |
| 2016 | 4,945,219,822 | 1,670,210,797 | 1,168,849,914 | 740,725,273 | 8,525,005,806 | 0.17402 |
| 2017 | 5,359,064,633 | 1,725,644,969 | 1,264,334,778 | 775,342,859 | 9,124,387,239 | 0.17402 |
| 2018 | 5,598,174,721 | 1,844,339,813 | 1,437,177,754 | 774,675,165 | 9,654,367,453 | 0.01740 |

¹ Other property includes recreational, institutional, vacant, and miscellaneous property.

² Tax-exempt property is excluded from the total taxable assessed value.

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: HdL Coren & Cone; Orange County Assessor

CITY OF BREa

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

| | Fiscal Year 2008-09 | Fiscal Year 2009-10 | Fiscal Year 2010-11 | Fiscal Year 2011-12 | Fiscal Year 2012-13 | Fiscal Year 2013-14 | Fiscal Year 2014-15 | Fiscal Year 2015-16 | Fiscal Year 2016-17 | Fiscal Year 2017-18 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| City Direct Rates: | | | | | | | | | | |
| City of Brea | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 | \$ 0.12902 |
| City of Brea Paramedics Tax ¹ | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 | 0.04500 |
| Total City Direct Rate | 0.17402 | 0.17402 | 0.17402 | 0.17402 | 0.17402 | 0.17402 | 0.17402 | 0.17402 | 0.17402 | 0.17402 |
| Overlapping Rates: | | | | | | | | | | |
| Brea-Olinda Unified School District General Fund | 0.43990 | 0.43990 | 0.43990 | 0.43990 | 0.43990 | 0.43990 | 0.43990 | 0.43990 | 0.43990 | 0.43990 |
| Brea-Olinda Unified School District Bonds | 0.02270 | 0.02285 | 0.02426 | 0.02367 | 0.02365 | 0.02470 | 0.02528 | 0.02292 | 0.02298 | 0.02325 |
| NOC Community College General Fund | 0.06660 | 0.06660 | 0.06660 | 0.06660 | 0.06660 | 0.06660 | 0.06660 | 0.06660 | 0.06660 | 0.06660 |
| NOC Community College Bonds | 0.01493 | 0.01662 | 0.01758 | 0.01742 | 0.01902 | 0.01704 | 0.01704 | 0.01704 | 0.01704 | 0.01704 |
| Educational Revenue Augmentation Fund | 0.18260 | 0.18260 | 0.18260 | 0.18260 | 0.18260 | 0.18260 | 0.18260 | 0.18260 | 0.18260 | 0.18260 |
| Orange County Department of Education | 0.03910 | 0.03910 | 0.03910 | 0.03910 | 0.03910 | 0.03910 | 0.03910 | 0.03910 | 0.03910 | 0.03910 |
| Orange County Flood Control District | 0.01888 | 0.01880 | 0.01880 | 0.01880 | 0.01888 | 0.01888 | 0.01888 | 0.01888 | 0.01888 | 0.01888 |
| Orange County General Fund | 0.05890 | 0.05890 | 0.05890 | 0.05890 | 0.05890 | 0.05890 | 0.05890 | 0.05890 | 0.05890 | 0.05890 |
| Orange County Harbors, Beaches & Parks | 0.01459 | 0.01459 | 0.01459 | 0.01459 | 0.01459 | 0.01459 | 0.01459 | 0.01459 | 0.01459 | 0.01459 |
| Orange County Library District | 0.01592 | 0.01592 | 0.01592 | 0.01592 | 0.01592 | 0.01592 | 0.01592 | 0.01592 | 0.01592 | 0.01592 |
| Orange County Sanitation District Two Operating | 0.03080 | 0.03080 | 0.03080 | 0.03080 | 0.03080 | 0.03080 | 0.03080 | 0.03080 | 0.03080 | 0.03080 |
| Orange County Transportation Authority | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 | 0.00268 |
| Orange County Vector Control | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 | 0.00107 |
| Metropolitan Water District | 0.00430 | 0.00430 | 0.00370 | 0.00370 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 |
| Total Direct Rate | \$ 1.08699 | \$ 1.08875 | \$ 1.09052 | \$ 1.08977 | \$ 1.09123 | \$ 1.09030 | \$ 1.09088 | \$ 1.08852 | \$ 1.08858 | \$ 1.08885 |

¹ The City of Brea Paramedic Tax rate is per \$100 of assessed value.

NOTES:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of bonded debt and property tax overrides.

The Redevelopment Agency tax rate is not presented above in that property within the project area is subject to a tax rate of 1.0495%, which includes the Proposition 13 property tax rate of 1.00% and the applicable voter approved debt.

Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls

CITY OF BREA

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

| Taxpayer | Fiscal Year 2017-18 | | | Fiscal Year 2008-09 | | |
|------------------------------------|------------------------------|------|---|------------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Retail Property Trust | \$ 233,165,890 | 1 | 2.37% | \$ 198,048,218 | 1 | 2.76% |
| Olen Pointe Brea LLC | 140,085,892 | 2 | 1.43% | 97,800,045 | 5 | 1.36% |
| CRE Brea Valencia LLC | 113,911,049 | 3 | 1.16% | | | |
| ABS CA-O DC2 LLC | 110,379,888 | 4 | 1.12% | 135,282,962 | 2 | 1.89% |
| Kraemer Acquisitions Ptrs Own | 105,213,600 | 5 | 1.07% | | | |
| FW CA-Brea Marketplace LLC | 105,135,930 | 6 | 1.07% | 52,478,919 | 9 | 0.73% |
| Brea Union Plaza II LLC | 87,864,546 | 7 | 0.89% | | | |
| ICE Holdings LLC | 55,130,196 | 8 | 0.56% | | | |
| 2727 Imperial | 54,998,897 | 9 | 0.56% | | | |
| Evangelical Christian Credit Union | 53,349,473 | 10 | 0.54% | | | |
| Acquiport Brea LP | | | | 121,557,130 | 3 | 1.69% |
| Beckman Coulter Inc. | | | | 100,021,179 | 4 | 1.39% |
| La Floresta | | | | 88,433,996 | 6 | 1.23% |
| Brea-Olinda School | | | | 71,849,073 | 7 | 1.00% |
| Abbey-III Brea | | | | 62,399,257 | 8 | 0.87% |
| Guardian Capital Management | | | | 52,391,727 | 10 | 0.73% |
| | <u>\$ 1,059,235,361</u> | | <u>10.77%</u> | <u>\$ 980,262,506</u> | | <u>13.65%</u> |

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Sources: HdL Coren & Cone, County of Orange Assessor's Office

CITY OF BREA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|------------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2009 | 34,655,751 | 34,504,139 | 99.56 | 354,837 | 34,858,976 | 100.59 |
| 2010 | 33,304,101 | 32,620,080 | 97.95 | 252,721 | 32,872,801 | 98.70 |
| 2011 | 34,970,273 | 35,335,027 | 101.04 | 145,204 | 35,480,231 | 101.46 |
| 2012 | 32,242,292 | 31,678,555 | 98.25 | 295,525 | 31,974,080 | 99.17 |
| 2013 ¹ | 12,449,282 | 12,125,387 | 97.40 | 195,502 | 12,320,889 | 98.97 |
| 2014 | 13,412,523 | 13,173,993 | 98.22 | 140,765 | 13,314,758 | 99.27 |
| 2015 | 14,720,458 | 14,481,121 | 98.37 | 145,952 | 14,627,073 | 99.37 |
| 2016 | 16,669,635 | 16,489,408 | 98.92 | 166,642 | 16,656,050 | 99.92 |
| 2017 | 17,274,771 | 16,771,004 | 97.08 | 172,238 | 16,943,242 | 98.08 |
| 2018 | 19,516,778 | 19,193,847 | 98.35 | 163,773 | 19,357,620 | 99.18 |

¹ Beginning February 1, 2012, the property tax revenues of the former Brea Redevelopment Agency are now accounted for in the Successor Agency to the Brea Redevelopment Agency.

NOTE:

The amounts presented include property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Source: County of Orange Auditor Controller's Office

CITY OF BREA

TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS

| Category | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Department Stores | \$ 2,759,775 | \$ 2,950,535 | \$ 3,037,419 | \$ 3,158,876 | \$ 3,060,495 | \$ 3,000,876 | \$ 3,020,454 | \$ 2,959,079 | \$ 2,827,804 | \$ 2,576,479 |
| Restaurant | 1,595,896 | 1,556,835 | 1,679,527 | 1,902,210 | 2,004,400 | 2,082,644 | 2,159,263 | 2,258,542 | 2,305,596 | 2,512,626 |
| Light Industry | 1,485,575 | 1,497,016 | 1,854,804 | 1,713,504 | 1,759,297 | 2,142,298 | 2,049,527 | 2,171,917 | 2,158,761 | 2,000,878 |
| Building Materials-Wholesale | 1,105,874 | 1,061,908 | 1,348,297 | 1,346,742 | 1,622,498 | 1,676,631 | 1,799,592 | 2,051,748 | 2,116,119 | 2,071,993 |
| Apparel Stores | 1,525,844 | 1,443,568 | 1,581,487 | 1,661,679 | 1,755,021 | 1,697,734 | 1,732,123 | 1,696,435 | 1,676,921 | 1,589,063 |
| Miscellaneous Retail | 1,440,366 | 1,287,074 | 1,372,512 | 1,560,446 | 1,600,599 | 1,707,983 | 1,779,009 | 1,652,697 | 1,558,413 | 1,575,008 |
| Furniture/Appliance | 534,043 | 558,615 | 683,424 | 764,254 | 708,157 | 686,308 | 801,114 | 763,158 | 810,168 | 976,083 |
| Service Stations | 734,678 | 649,050 | 917,704 | 998,449 | 991,760 | 1,001,724 | 844,593 | 712,761 | 674,913 | 705,984 |
| Food Markets | 261,529 | 269,150 | 283,462 | 271,680 | 284,288 | 358,917 | 358,917 | 469,420 | 488,165 | 437,616 |
| Building Materials-Retail | 326,520 | 328,472 | 366,253 | 345,832 | 450,631 | 450,013 | 446,278 | 470,340 | 472,178 | 500,971 |
| Heavy Industry | 382,130 | 309,395 | 391,235 | 369,982 | 498,859 | 346,253 | 356,465 | 408,035 | 359,099 | 674,914 |
| Auto Sales-New | 1,908 | 769 | 160 | 247 | 262 | 330,614 | 315,306 | 288,732 | 441,956 | 534,567 |
| Other | 2,289,386 | 1,925,965 | 2,135,394 | 2,084,482 | 1,798,200 | 1,774,919 | 1,805,690 | 1,922,933 | 1,927,869 | 1,680,294 |
| Total | \$ 14,443,524 | \$ 13,838,352 | \$ 15,631,678 | \$ 16,178,383 | \$ 16,534,467 | \$ 17,256,914 | \$ 17,468,331 | \$ 17,825,797 | \$ 17,817,962 | \$ 17,836,476 |

Note: Totals do not include portion of State and County pool as well as the impact of the State Triple Flip.

Source: MuniServices

CITY OF BREA

RATIO OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30 | Governmental Activities | | | Business-Type Activities | | | Debt Per Capita ⁸ |
|---------------------------------|---|--|-----------------------------------|-------------------------------------|--|--------------------------------|--|
| | Tax Allocation Bonds ^{4, 5} | Lease Revenue Bonds ⁵ | Capital Leases ^{2, 7} | Total Governmental Activities | Water Revenue Bonds ^{1, 3, 6} | Total Primary Government | Percentage of Personal Income ⁸ |
| 2009 | 188,442,073 | 14,495,000 | 2,993,624 | 205,930,697 | 25,800,000 | 231,730,697 | 11.43% |
| 2010 | 178,909,196 | 16,485,000 | 6,716,146 | 202,110,342 | 38,095,000 | 240,205,342 | 11.46% |
| 2011 | 197,967,628 | 15,360,000 | 6,106,031 | 219,433,659 | 37,760,000 | 257,193,659 | 13.10% |
| 2012 | - | 2,760,000 | 5,161,902 | 7,921,902 | 37,265,000 | 45,186,902 | 2.21% |
| 2013 | - | 2,760,000 | 4,659,564 | 7,419,564 | 36,325,000 | 43,744,564 | 2.10% |
| 2014 | - | 2,760,000 | 4,169,409 | 6,929,409 | 35,350,000 | 42,279,409 | 1.83% |
| 2015 | - | 2,760,000 | 3,652,690 | 6,412,690 | 52,890,000 | 59,302,690 | 2.48% |
| 2016 | - | 2,760,000 | 4,833,071 | 7,593,071 | 53,325,495 | 60,918,566 | 2.41% |
| 2017 | - | 2,760,000 | 4,261,876 | 7,021,876 | 50,150,000 | 57,171,876 | 2.26% |
| 2018 | - | 2,760,000 | 3,658,172 | 6,418,172 | 49,110,000 | 55,528,172 | 2.20% |

¹ For the fiscal year ended June 30, 2009, the Brea Public Financing Authority issued \$12,855,000 in water revenue refunding bonds and \$12,945,000 in new money bonds.

² For the fiscal year ended June 30, 2010, the City of Brea entered into a lease-purchase agreement for \$4,580,000.

³ For the fiscal year ended June 30, 2010, the Brea Public Financing Authority issued over \$12 million of water revenue bonds.

⁴ For the fiscal year ended June 30, 2011, the Brea Redevelopment Agency issued over \$29 million of tax allocation bonds.

⁵ For the fiscal year ended June 30, 2012, outstanding long term debts of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of redevelopment agencies in California.

⁶ For the fiscal year ended June 30, 2015, the Brea Community Benefit Financing Authority issued over \$18 million of water revenue bonds.

⁷ For the fiscal year ended June 30, 2016, the City of Brea entered into a lease purchase agreement for \$1,952,104.

⁸ See the Schedule of Demographic and Economic Statistics for personal income and population data.

NOTE: Details regarding the outstanding debt can be found in the notes of the financial statements.

CITY OF BREa

RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30 | General Bonded Debt Outstanding | | | Restricted for Debt Service ² | Net Bonded Debt | Percentage of Assessed Value of Property ³ | Per Capita ⁴ |
|---------------------------------|---|--|-------------|---|--------------------|---|----------------------------|
| | Tax Allocation Bonds ^{1, 2} | Lease Revenue Bonds ² | Total | | | | |
| 2009 | 185,442,073 | 14,495,000 | 199,937,073 | 3,713,382 | 196,223,691 | 2.79% | 4,592 |
| 2010 | 178,909,196 | 16,485,000 | 195,394,196 | 3,758,776 | 191,635,420 | 2.75% | 4,629 |
| 2011 | 197,967,628 | 15,360,000 | 213,327,628 | 6,647,628 | 206,680,000 | 2.95% | 5,247 |
| 2012 | - | 2,760,000 | 2,760,000 | 301,972 | 2,458,028 | 0.04% | 60 |
| 2013 | - | 2,760,000 | 2,760,000 | 291,130 | 2,468,870 | 0.03% | 60 |
| 2014 | - | 2,760,000 | 2,760,000 | 293,713 | 2,466,287 | 0.03% | 58 |
| 2015 | - | 2,760,000 | 2,760,000 | 264,636 | 2,495,364 | 0.03% | 58 |
| 2016 | - | 2,760,000 | 2,760,000 | 269,453 | 2,490,547 | 0.03% | 57 |
| 2017 | - | 2,760,000 | 2,760,000 | 265,707 | 2,494,293 | 0.03% | 57 |
| 2018 | - | 2,760,000 | 2,760,000 | 265,506 | 2,494,494 | 0.03% | 56 |

¹ For the fiscal year ended June 30, 2011, the Redevelopment Agency issued over \$29 million of tax allocation bonds in June, 2011, which included over \$22 million in new bonds resulting in the increase

² For the fiscal year ended June 30, 2012, outstanding long term debts of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of Redevelopment Agencies in California.

³ See schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

⁴ Population data can be found in schedule of Demographic and Economic Statistics.

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF BREA

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018**

City Assessed Valuation:

| | Estimated Percentage Applicable ¹ | Debt Outstanding | Estimated Share of Overlapping Debt |
|--|---|-----------------------------|--|
| Overlapping Debt Repaid with Property Taxes: | | | |
| Metropolitan Water District | 0.352 | \$60,600,000 | \$ 213,312 |
| North Orange County Joint Community College District | 7.769 | 206,054,001 | 16,008,335 |
| Brea-Olinda Unified School District | 94.539 | 13,049,029 | 12,336,422 |
| Placentia-Yorba Linda Unified School District | 1.273 | 236,974,879 | 3,016,690 |
| Rowland Unified School District | 0.146 | 237,527,595 | 346,790 |
| Fullerton Joint Union High School District | 1.938 | 169,665,000 | 3,288,108 |
| Fullerton School District | 0.008 | 27,120,458 | 2,170 |
| La Habra City School District | 11.072 | 20,931,272 | 2,317,510 |
| City of Brea Community Facilities Districts | 100 | 13,300,000 | 13,300,000 |
| Brea-Olinda Unified School District Community Facilities District No. 95-1 | 100 | 6,040,000 | 6,040,000 |
| Total overlapping debt repaid with property taxes | | <u>991,262,234</u> | <u>56,869,337</u> |
| Overlapping Other Debt: | | | |
| Orange County General Fund Obligation | 1.732 | \$210,347,000 | \$ 3,643,210 |
| Orange County Pension Obligations Bonds | 1.732 | 383,564,389 | 6,643,335 |
| Orange County Board of Education Certificates of Participation | 1.732 | 13,990,000 | 242,307 |
| North Orange Regional Occupation Program Certificates of Participation | 7.983 | 9,610,000 | 767,166 |
| Brea-Olinda Unified School District Certificates of Participation | 94.539 | 16,680,000 | 15,769,105 |
| Placentia-Yorba Linda Unified School District Certificates of Participation | 1.273 | 94,175,355 | 1,198,852 |
| Rowland Unified School District Certificates of Participation | 0.146 | 5,000,000 | 7,300 |
| Fullerton Joint Union High School District Certificates of Participation | 1.938 | 19,295,000 | 373,937 |
| Fullerton School District Certificates of Participation | 0.008 | 4,810,000 | 385 |
| Total overlapping general fund debt | | | <u>28,645,597 ²</u> |
| Total overlapping debt | | | \$ 85,514,934 |
| City of Brea Direct Debt: | | | |
| Lease Revenue Bonds | | | \$ 2,760,000 |
| Capital Leases | | | <u>3,658,172</u> |
| Total City of Brea Direct Debt | | | \$ 6,418,172 |
| Combined total direct and overlapping debt | | | \$ 91,933,106 ³ |

¹ Percentage of overlapping agency's assessed valuation located within the boundaries of the City.

² Previously classified Orange County Sanitation District certificates of participation have been reclassified as district revenue supported issues and are no longer included as a general fund debt in the debt statement.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds.

NOTE:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Brea. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

CITY OF BREA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

| | Fiscal Year 2009-09 | Fiscal Year 2009-10 | Fiscal Year 2010-11 | Fiscal Year 2011-12 | Fiscal Year 2012-13 | Fiscal Year 2013-14 | Fiscal Year 2014-15 | Fiscal Year 2015-16 | Fiscal Year 2016-17 | Fiscal Year 2017-18 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Assessed value | \$ 7,035,460,244 | \$ 6,979,282,412 | \$ 6,979,282,412 | \$ 7,328,303,022 | \$ 7,556,214,577 | \$ 7,815,157,069 | \$ 8,026,908,085 | \$ 8,532,576,967 | \$ 9,116,002,399 | \$ 9,660,027,845 |
| Debt limit: 3.75% of assessed value | 263,829,759 | 261,723,090 | 261,723,090 | 274,811,363 | 283,358,047 | 293,068,390 | 301,009,053 | 319,971,636 | 341,850,090 | 362,251,044 |
| Total net debt applicable to limit | | | | | | | | | | |
| Total general obligation bonded debt | | | | | | | | | | - |
| Less net assets in debt service fund | | | | | | | | | | - |
| Total amount of debt applicable to debt limit | | | | | | | | | | \$ - |
| Legal debt margin | | | | | | | | | | \$ 362,251,044 |

NOTE:

Under state finance law, the City of Brea's outstanding general obligation debt should not exceed 3.75 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF BREA

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30 | Tax Allocation Bonds | | | | | Water Revenue Bonds | | | | | |
|------------------------------------|------------------------------|-----|------------------------|-----------------------|-----------------------|--------------------------------|---|----------------------|------------------------|-----------------------|------|
| | Increment ^{5, 6} | Tax | Debt Service | | Coverage ⁶ | Gross Revenues ¹ | Less: Operating Expenses ² | Net | | | |
| | | | Principal ⁶ | Interest ⁶ | | | | Available Revenue | Debt Service | | |
| | | | | | | | | | Principal ³ | Interest ⁴ | |
| 2009 | 23,500,000 | | 5,795,000 | 7,132,481 | 1.82 | 10,344,771 | 9,123,214 | 1,221,557 | 790,000 | 552,885 | 0.91 |
| 2010 | 20,062,146 | | 6,950,000 | 8,182,916 | 1.33 | 11,563,325 | 10,471,557 | 1,091,768 | - | 1,359,105 | 0.80 |
| 2011 | 19,854,155 | | 6,960,000 | 7,895,704 | 1.34 | 11,874,613 | 10,510,821 | 1,363,792 | 335,000 | 1,291,835 | 0.84 |
| 2012 | - | | - | - | - | 13,659,142 | 11,196,371 | 2,462,771 | 495,000 | 1,536,324 | 1.21 |
| 2013 | - | | - | - | - | 15,639,630 | 10,700,731 | 4,938,899 | 940,000 | 1,548,591 | 1.98 |
| 2014 | - | | - | - | - | 18,204,836 | 11,873,994 | 6,330,842 | 975,000 | 1,540,597 | 2.52 |
| 2015 | - | | - | - | - | 17,803,755 | 10,685,147 | 7,118,608 | 1,015,000 | 2,351,374 | 2.11 |
| 2016 | - | | - | - | - | 16,489,077 | 9,162,038 | 7,327,039 | 1,315,000 | 2,348,737 | 2.00 |
| 2017 | - | | - | - | - | 19,194,816 | 9,865,661 | 9,329,155 | 1,425,000 | 2,381,873 | 2.45 |
| 2018 | - | | - | - | - | 22,692,925 | 11,972,562 | 10,720,363 | 1,040,000 | 2,361,556 | 3.15 |

¹ Gross revenues exclude connection fees.

² Operating expenses do not include interest or depreciation.

³ In May 2009, the Brea Public Financing Authority issued over \$12.9 million of water revenue refunding bonds, which refunded the 1998 Water Revenue Refunding Bonds resulting in no principal payment due in July 1, 2009.

⁴ Interest expense is net of the Build America Bonds interest refund credits.

⁵ Beginning fiscal year ended June 30, 2010, tax increment is net of tax increment revenue sharing payments.

⁶ For the fiscal year ended June 30, 2012, outstanding long term debts of the Brea Redevelopment Agency were transferred to the Successor Agency on February 1, 2012, as a result of dissolution of redevelopment agencies in California.

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF BREA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30 | Population ¹ | Personal Income (in thousands) | Per Capita Personal Income ² | Unemployment Rate ³ |
|--|--------------------------------|---|--|---|
| 2009 | 40,176 | 2,027,401 | 50,463 | 7.2% |
| 2010 | 40,377 | 2,095,324 | 51,894 | 6.2% |
| 2011 | 40,065 | 1,963,986 | 49,020 | 6.6% |
| 2012 | 40,932 | 2,040,992 | 49,863 | 6.0% |
| 2013 | 41,394 | 2,087,913 | 50,440 | 5.2% |
| 2014 | 42,397 | 2,311,442 | 54,519 | 4.2% |
| 2015 | 43,328 | 2,387,199 | 55,096 | 3.9% |
| 2016 | 43,710 | 2,524,209 | 57,749 | 3.4% |
| 2017 | 44,214 | 2,744,407 | 62,071 | 3.1% |
| 2018 | 44,890 | 2,935,806 | 65,400 | 3.0% |

Sources:

¹ City Community Development, Planning Division

² Per capita income for Orange County; U.S. Department of Commerce, Bureau of Economic Analysis

³ State of California Employment Development Department - Labor Market Information Division

CITY OF BREA

**PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND TEN YEARS AGO**

| Employer | Fiscal Year 2017-18 | | | Fiscal Year 2008-09 | | |
|---|---------------------|------|---|---------------------|------|----------------------------------|
| | Employees | Rank | Percent of Total City Employment ¹ | Employees | Rank | Percent of Total City Employment |
| Mercury Insurance Group | 1,675 | 1 | 7.28% | 3,000 | 1 | 14.15% |
| Bank of America ² | 1,500 | 2 | 6.52% | 1,500 | 3 | 7.08% |
| Albertson's, Inc. | 1,335 | 3 | 5.80% | 1,200 | 4 | 5.66% |
| Beckman Coulter, Inc. | 1,000 | 4 | 4.35% | 3,000 | 2 | 14.15% |
| Kirkhill - TA Company | 779 | 5 | 3.39% | 700 | 5 | 2.36% |
| Brea Olinda Unified School District | 709 | 6 | 3.08% | 500 | 6 | 3.30% |
| Bristol Industries | 413 | 7 | 1.80% | | | |
| Nationwide formerly Veterinary Pet Ins. | 400 | 8 | 1.74% | | | |
| Nordstrom | 352 | 9 | 1.53% | | | |
| Zodiac Inflight Innovations | 285 | 10 | 1.24% | | | |
| Harte-Hanks Communications | | | 0.00% | 500 | 7 | 2.36% |
| ITT Hartford Insurance Group | | | 0.00% | 450 | 8 | 2.12% |
| Avery Dennison Administrative | | | 0.00% | 450 | 9 | 2.12% |
| Capital Group | | | 0.00% | 400 | 10 | 1.89% |
| Total | <u>6,773</u> | | <u>29.45%</u> | <u>11,700</u> | | <u>55.19%</u> |

¹ Based upon the Employment Development Department's Labor Force estimate of 23,000 residents in 2018 out of a total population of 44,890.

² Unable to confirm, used last year number.

Source: City of Brea Business License Division and calls to businesses.

CITY OF BREa

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

| Function | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|------|------|------|------|------|------|
| General Government | 69 | 56 | 57 | 57 | 59 | 58 | 59 | 60 | 59 | 54 |
| Public Safety | 226 | 211 | 213 | 213 | 212 | 167 | 158 | 158 | 159 | 157 |
| Development Services | 33 | 29 | - | - | - | - | - | - | - | - |
| Community Development ¹ | - | - | 20 | 20 | 20 | 21 | 21 | 21 | 23 | 22 |
| Community Services | 52 | 48 | 39 | 48 | 52 | 52 | 52 | 55 | 56 | 54 |
| Maintenance Services | 42 | 32 | - | - | - | - | - | - | - | - |
| Public Works ² | - | - | 37 | 39 | 42 | 41 | 42 | 45 | 47 | 49 |
| Water Utility | 14 | 16 | 16 | 14 | 15 | 17 | 17 | 17 | 15 | 16 |
| Sewer Utility | 4 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 3 |
| Mobile Data System | 1 | - | - | - | - | - | - | - | - | - |
| External Information Technology ³ | - | 9 | 9 | 9 | 9 | 10 | 10 | 10 | 12 | 11 |
| Total | 443 | 409 | 399 | 408 | 417 | 373 | 367 | 374 | 381 | 372 |

¹ Prior to FY2011, Community Development was reported under Development Services function.

² Prior to FY2011, Public Works was reported under Maintenance Services function.

³ Prior to FY2010, External Information Technology Services was reported under General Government function.

Source: City of Brea Adopted Budget and Supplements to the Adopted Budget.

CITY OF BREA

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Function: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Calls dispatched | 22,232 | 22,231 | 23,071 | 24,650 | 22,810 | 22,412 | 23,026 | 24,359 | 26,027 | 25,185 |
| Crime reports | 7,076 | 5,475 | 4,726 | 4,491 | 4,450 | 4,207 | 4,490 | 4,798 | 4,881 | 4,888 |
| Moving citations | 7,123 | 9,192 | 9,024 | 8,215 | 5,573 | 3,272 | 3,426 | 2,483 | 2,409 | 2,799 |
| Parking citations | 14,118 | 20,639 | 15,469 | 16,034 | 10,651 | 11,178 | 10,057 | 10,528 | 10,467 | 10,591 |
| Water | | | | | | | | | | |
| Number of customer accounts | 11,863 | 11,953 | 11,878 | 12,095 | 12,258 | 12,637 | 12,951 | 13,153 | 13,224 | 13,338 |
| Average daily consumption (millions of gallons) | 9.26 | 8.83 | 8.53 | 9.39 | 9.77 | 10.30 | 9.54 | 7.86 | 7.71 | 8.78 |
| Water samples taken | 624 | 624 | 627 | 672 | 840 | 624 | 686 | 732 | 780 | 824 |
| Development Services ¹ | | | | | | | | | | |
| Permits issued | 1,218 | 979 | - | - | - | - | - | - | - | - |
| Inspections conducted | 4,850 | 4,628 | - | - | - | - | - | - | - | - |
| Traffic signals maintained ² | 51 | 51 | - | - | - | - | - | - | - | - |
| Infrastructure improv. projects administered | 12 | 13 | - | - | - | - | - | - | - | - |
| Community Development | | | | | | | | | | |
| Permits issued | - | - | 1,097 | 1,180 | 1,404 | 1,418 | 1,561 | 2,072 | 2,170 | 2,045 |
| Inspections conducted | - | - | 4,316 | 5,030 | 5,604 | 7,955 | 7,997 | 6,903 | 6,833 | 7,611 |
| Maintenance Services ¹ | | | | | | | | | | |
| Square feet of graffiti removal | 12,755 | 15,048 | - | - | - | - | - | - | - | - |
| Streetsweeping miles | 22,943 | 20,777 | - | - | - | - | - | - | - | - |
| Trees pruned per year | 2,706 | 2,906 | - | - | - | - | - | - | - | - |
| Public Works | | | | | | | | | | |
| Square feet of graffiti removal | - | - | 12,528 | 9,576 | 10,944 | 7,713 | 4,545 | 3,609 | 6,950 | 7,074 |
| Streetsweeping miles | - | - | 20,609 | 18,398 | 19,365 | 19,494 | 20,128 | 20,333 | 21,060 | 21,476 |
| Trees pruned per year | - | - | 2,702 | 2,806 | 3,136 | 2,069 | 3,408 | 3,275 | 2,830 | 2,158 |
| Traffic signals maintained ² | - | - | 51 | 52 | 52 | 52 | 52 | 53 | 56 | 56 |
| Infrastructure improv. projects administered | - | - | 9 | 17 | 6 | 9 | 10 | 8 | 8 | 6 |
| Culture and Recreation | | | | | | | | | | |
| Gallery promotions and mailings | 43,962 | 21,647 | 26,903 | 22,934 | 18,500 | 18,500 | 18,500 | 14,800 | 14,800 | 14,800 |
| Gallery attendance | 7,495 | 6,934 | 7,081 | 11,693 | 9,596 | 10,674 | 10,042 | 12,807 | 10,175 | 7,700 |
| Theatre annual program brochures mailed | 24,532 | 35,053 | 37,848 | 37,843 | 32,359 | 44,517 | 26,258 | 34,670 | 31,853 | 10,200 |
| Theatre attendance | 17,742 | 13,964 | 11,983 | 12,829 | 12,516 | 12,889 | 12,926 | 50,476 | 47,832 | 41,499 |
| General government | | | | | | | | | | |
| Accounts payable warrants issued | 7,772 | 6,233 | 6,043 | 8,182 | 7,872 | 7,829 | 8,599 | 7,569 | 7,154 | 6,980 |

¹ Beginning in fiscal year 2010-11, function classified as Public Works or Community Development.

² Doesn't include five flashing beacons the City maintains

Source: City of Brea

CITY OF BREA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Function: | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Highways and streets | | | | | | | | | | |
| Miles of streets | 119 | 119 | 119 | 119 | 119 | 120 | 120 | 121 | 121 | 121 |
| Street lights | 3,388 | 3,388 | 3,388 | 3,388 | 3,388 | 3,401 | 3,401 | 3,452 | 3,452 | 3,452 |
| Water | | | | | | | | | | |
| Number of water wells | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of reservoirs | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 7 |
| Miles of lines & mains | 167 | 167 | 167 | 167 | 167 | 167 | 197 | 197 | 212 | 212 |
| Sewer | | | | | | | | | | |
| Miles of sanitary sewers | 110 | 110 | 110 | 110 | 110 | 111 | 111 | 112 | 112 | 112 |
| Miles of storm drains | 25 | 25 | 25 | 25 | 25 | 26 | 26 | 27 | 27 | 27 |
| Culture and Recreation | | | | | | | | | | |
| Number of parks | 11 | 11 | 11 | 11 | 12 | 13 | 13 | 13 | 13 | 14 |
| Number of other facilities | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |

Source: City of Brea



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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To the Members of the City Council
City of Brea, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brea, California, (City) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 11, 2018. We also met with the City's Finance Committee on October 9, 2018. We are currently performing the audit of the City's federal award programs (Single Audit) and anticipate issuing our reports thereon prior to March 31, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, as of July 1, 2017. Accordingly, the cumulative effect of the accounting as of the beginning of year is reported in Note 13. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the:

- The measurement of fair value of investments is based on observable market inputs and information from the City's safekeeping custodian banks,
- Amounts related to the net pension liability and total other postemployment benefit (OPEB) liability, related deferred outflows of resources and deferred inflows of resources, pension and OPEB expense, and the disclosures, are based on actuarial valuations.
- Developer contributions are based on estimates developed by the City's engineering department to approximately acquisition value of the infrastructure contributed to the City.

We evaluated the key factors and assumptions used to develop these estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 3 to the financial statements discloses authorized investments, interest rate and credit risks, and fair value measurements.

Note 4 to the financial statements discloses the City's activities with California Domestic Water Company (CDWC) including water rights and equity in CDWC.

Notes 9 and 10 to the financial statements discloses the City's pension and OPEB liabilities, respectively, and are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate or return, discount rate, and healthcare trend rate, as applicable. As disclosed in Notes 9 and 10, a 1% increase or decrease in the discount rate has a significant effect on the City's net pension liability and total OPEB liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed to allow for management to respond to certain audit inquiries, and the time for us to review and conclude on such information.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We report that there were no such disagreements.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of changes in the net pension liability and related ratios for the Miscellaneous and Safety Plans, schedule of plan contributions for the Miscellaneous and Safety Plans, schedule of changes in total OPEB liability and related ratios, and schedules of revenues, expenditures and changes in fund balance – budget and actual for the General fund and each major special revenue fund and related note, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Vaurinek, Trine, Day & Co., LLP

Laguna Hills, California
March 8, 2019

CITY OF BREA, CALIFORNIA
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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To the Members of the City Council
City of Brea, California

We have audited the basic financial statements of the City of Brea, California (City) for the year ended June 30, 2018 and have issued our report thereon dated March 8, 2019. In planning and performing our audit of the basic financial statements of the City, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

CURRENT YEAR MANAGEMENT LETTER COMMENTS

FINANCIAL REPORTING AND CLOSING

OBSERVATION:

To ensure timely financial reporting, an entity should have procedures to work through a year-end closing process to accumulate, reconcile, and summarize information for inclusion in the annual financial statements. The year-end closing process generally includes the review and/or reconciliation of all balances within the City's general ledger. Accounts must be reviewed for proper cutoff, classification, presentation, and appropriate disclosure in the financial statements.

While the City has revised their closing process to incorporate many of the elements described above, including checklists for various accounting processes that are performed on a weekly, monthly, quarterly, and annual basis, we have identified areas where the process should be strengthened to improve the overall timeliness of the closing process.

RECOMMENDATION:

The City's financial reporting and closing process could be strengthened, resulting in more timely audited financial statements, through the following:

- Standardized year-end lead-sheets, schedules, and reconciliations to facilitate the review of key accounts.
- Additional review of lead-sheets, reconciliations and schedules related to the audit,
- Prioritizing financial reporting areas before the close of the fiscal year, to allow for additional time and attention by staff (such as new GASB implementation, other nonrecurring events, debt refundings, significant developer contributions, etc).
- Analytical review/fluctuation analysis performed by management during the closing process to identify potential anomalies or adjustments during the closing process.

MANAGEMENT RESPONSE:

Based on the auditor's observations, City staff will be evaluating the year- end closing documents to identify areas where additional detailed documentation as support for lead sheets, schedules and reconciliations would facilitate the auditor's review of the City's financial Information. Additionally, staff will work towards addressing new GASBs, non-recurring events and complex items as they occur, as well as providing additional analytical review during the closing process as recommended.

DEVELOPER CONTRIBUTIONS**OBSERVATION:**

In accordance with generally accepted accounting principles, contributed assets are recognized at acquisition value. In July 2018, the City updated its Capital Asset Policy to formalize that donated capital assets are recorded at acquisition value at the time received, including infrastructure for residential and commercial developments. During our testwork over developer contributions received during the year, we noted that while the July 2018 Capital Asset Policy states the basis to record developer contributions, the City does not have a documented formal policy or process for recognizing the acquisition value of the contributed assets.

RECOMMENDATION:

Due to the significance of the contributions, and non-routine nature of such items, the City should formalize policies and procedures, and update their Capital Asset Policy as needed, to ensure the timely and accurate valuation and reporting of such contributions.

MANAGEMENT RESPONSE:

The City procedures for determining the value of infrastructure contributed by a developer include the construction bond for such improvements and/or the cost of the improvement as stated by the developer and recording those assets at the time of acceptance. Land is typically valued based on in-lieu fees and/or similar property. The City will document these procedures in its Capital Asset Policy.

STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

CAPITAL ASSET POLICIES**OBSERVATION:**

During our procedures over capital assets, we noted the City's capital asset policies do not address intangible assets. The capital asset listing maintained by the City did not include water rights or other intangible assets, and thus did not reconcile to the capital asset balance reported within the financial statements.

CURRENT YEAR STATUS:

Implemented

IT DISASTER RECOVERY POLICY

OBSERVATION:

During our testwork over IT policies and procedures, we noted the City has a Business Continuity Plan. The City's IT department have not tested the restoration of the City's financial system to ensure proper functioning of the plan.

CURRENT YEAR STATUS:

Implemented

Our audit procedures are designed primarily to enable us to form our opinions on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the City Council, the City's management and others within the organization and should not be used by anyone other than these specified parties.

Yaurinek, Trine, Day & Co., LLP

Laguna Hills, California
March 8, 2019

CITY OF BREA, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

CITY OF BREA, CALIFORNIA
FOR THE YEAR ENDED JUNE 30, 2018

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the City Council
City of Brea, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brea, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2019. Our report included an emphasis of matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statements No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions* and No. 85, *Omnibus 2017*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yaurinek, Trine, Day & Co., LLP

Laguna Hills, California
March 8, 2019



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VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the City Council
City of Brea, California

Report on Compliance for Each Major Federal Program

We have audited the City of Brea, California's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Highway Planning and Construction Cluster

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient and appropriate audit evidence supporting the compliance of the Highway Planning and Construction Cluster as described in finding numbers 2018-002 for Procurement, Suspension and Debarment and 2018-003 for Special Tests and Provisions. Consequently we were unable to determine whether the City complied with those requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction Cluster

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph for Procurement, Suspension, and Debarment and Special Tests and Provisions, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-004 to be significant deficiencies.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The City's response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 8, 2019, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statements No. 75, *Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85 *Omnibus 2017*. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vaurinek, Trine, Day & Co., LLP

Laguna Hills, California
March 28, 2019

CITY OF BREA, CALIFORNIA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

| Federal Grantor / Pass-through Grantor / Program or Cluster Title | Federal CFDA Number | Program / Project Identification Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| U.S. Department of Agriculture | | | |
| Passed through the California Office of Emergency Services - Fire and Rescue Division | | | |
| Cooperative Forestry Assistance | 10.664 | CA-SRF-000741 | \$ 35,581 |
| Cooperative Forestry Assistance | 10.664 | CA-KNF-006081 | 19,925 |
| Subtotal - CFDA 10.664 | | | <u>55,506</u> |
| Total U.S. Department of Agriculture | | | <u>55,506</u> |
| U.S. Department of Housing and Urban Development | | | |
| Passed through the County of Orange: | | | |
| CDBG - Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 15-22-0006-PFI | 40,000 |
| Community Development Block Grants/Entitlement Grants | 14.218 | 16-23-0002-HR | 147,707 |
| Community Development Block Grants/Entitlement Grants | 14.218 | 17-23-0002-HR | 74,508 |
| Subtotal - CDBG - Entitlement Grants Cluster | | | <u>262,215</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>262,215</u> |
| U.S. Department of the Interior | | | |
| Direct Assistance: | | | |
| Outdoor Recreation Acquisition, Development and Planning | 15.916 | 06-01765 | <u>200,846</u> |
| Total U.S. Department of the Interior | | | <u>200,846</u> |
| U.S. Department of Justice | | | |
| Direct Assistance: | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2009BUBX08041006 | <u>5,978</u> |
| Equitable Sharing Program | 16.922 | N/A | <u>38,754</u> |
| Total U.S. Department of Justice | | | <u>44,732</u> |
| U.S. Department of Transportation | | | |
| Passed through the State of California - Department of Transportation: | | | |
| Highway Planning and Construction Cluster: | | | |
| Highway Planning and Construction | 20.205 | ATPCML-5237(035) | 228,768 |
| Highway Planning and Construction | 20.205 | ATPCML-5237(028) | 255,546 |
| Highway Planning and Construction | 20.205 | ATPL-5237(027) | 971,359 |
| Highway Planning and Construction | 20.205 | ATPCML-5237(028) | 198,226 |
| Highway Planning and Construction | 20.205 | ATPCML-5237(035) | 2,481,477 |
| Highway Planning and Construction | 20.205 | STPL-5237 (036) | 818,739 |
| Subtotal - CFDA 20.205 | | | <u>4,954,115</u> |
| Passed through the State of California - Department of Parks and Recreation: | | | |
| Recreational Trails Program | 20.219 | RT-30-026 | <u>1,235,464</u> |
| Subtotal - Highway Planning and Construction Cluster | | | <u>6,189,579</u> |
| Direct Assistance: | | | |
| Highway Safety Cluster: | | | |
| State and Community Highway Safety | 20.600 | PT1709 | 4,586 |
| State and Community Highway Safety | 20.600 | PT18012 | <u>45,240</u> |
| Subtotal - Highway Safety Cluster | | | 49,826 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | PT1709 | 11,075 |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | PT18012 | <u>24,831</u> |
| Subtotal - CFDA 20.608 | | | <u>35,906</u> |
| Total U.S. Department of Transportation | | | <u>6,275,311</u> |

See accompanying notes to the schedule of expenditure of federal awards.

CITY OF BREA, CALIFORNIA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

| Federal Grantor / Pass-through Grantor / Program or Cluster Title | Federal CFDA Number | Program / Project Identification Number | Federal Expenditures |
|---|---------------------------|---|----------------------------|
| U.S. Department of Treasury | | | |
| Direct Assistance: | | | |
| Equitable Sharing | 21.016 | N/A | \$ 35,089 |
| Equitable Sharing | 21.016 | N/A | 14,417 |
| Subtotal - CFDA 21.016 | | | <u>49,506</u> |
| Total U.S. Department of Treasury | | | <u>49,506</u> |
| U.S. Environmental Protection Agency | | | |
| Direct Assistance: | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | BF-99T02801 | 125,299 |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | BF-99T36801 | 320,206 |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | BF-99T61401 | 99,690 |
| Subtotal - CFDA 66.818 | | | <u>545,195</u> |
| Total U.S. Environmental Protection Agency | | | <u>545,195</u> |
| U.S. Department of Health and Human Services | | | |
| Direct Assistance: | | | |
| Aging Cluster: | | | |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | C-1-2469 | <u>33,481</u> |
| Total U.S. Department of Health and Human Services | | | <u>33,481</u> |
| Total Federal Awards | | | <u>\$ 7,466,792</u> |

See accompanying notes to the schedule of expenditure of federal awards.

CITY OF BREA, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Under the modified accrual basis, expenditures are incurred when the City becomes obligated for payment as a result of the receipts of the related goods and services. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

C. Indirect Cost Rate

The City has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BREA, CALIFORNIA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

I. Summary of Auditors' Results

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

Yes

Type of auditors' report issued on compliance for major federal programs:

Unmodified for the major program, except for the Department of Transportation - Highway Planning and Construction Cluster, which was qualified for Procurement, Suspension, and Debarment, and Special Tests and Provisions

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)

Yes

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------------|--|
| <u>20.205 and 20.219</u> | <u>Highway Planning and Construction Cluster</u> |

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

No

CITY OF BREA, CALIFORNIA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018**

II. Financial Statement Findings

None noted.

CITY OF BREA, CALIFORNIA

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2018

III. Federal Award Findings and Questioned Costs

Finding Number 2018-001

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation and Department of Parks and Recreation

Award No. and Year: ATPCML-5237 (035); ATPCML-5237(028); ATPL-5237(027); STPL-5237 (036); RT-30-026

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Criteria:

Title 2 CFR Section 200.302(b)(6) and (7) of the Uniform Guidance requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Cash Management) and for determining the allowability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award. In accordance with the *Uniform Guidance*, the City may elect the grace period for the implementation of Procurement requirements to be effective July 1, 2018.

Condition:

Significant Deficiency, Instance of noncompliance - For the fiscal year ending June 30, 2018, the City had not established written procedures to implement the cash management requirements of 2 *CFR Section 200.305*, including written procedures that minimize the time elapsing between the transfer of funds and disbursement by the City. Further, the City had not established written procedures for determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to cash management and allowable costs/cost principles for the Highway Planning and Construction cluster, which is subject to the *Uniform Guidance*.

Effect:

The City had not complied with the specific requirements for written procedures over cash management and allowable costs/cost principles as described in the *Uniform Guidance*.

Cause:

The City did not ensure that required written procedures were developed and implemented in accordance with the *Uniform Guidance* during the fiscal year.

CITY OF BREA, CALIFORNIA

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2018

III. Federal Award Findings and Questioned Costs (Continued)

Recommendation:

This is a repeat finding from the FY 2016-2017 audit – Finding 2017-006. The City implemented written policies effective November 20, 2018. These new policies address the items identified in the condition above, including the City's election of the procurement grace period effective July 1, 2018. We recommend the City incorporate the new policies and procedures into their grant management processes.

Views of Responsible Officials and Planned Corrective Actions:

See separate Corrective Action Plan.

Finding Number 2018-002

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation and Department of Parks and Recreation

Award No. and Year: ATPCML-5237 (035); ATPL-5237(027); RT-30-026

Compliance Requirements: Procurement, Suspension, and Debarment

Criteria:

States and governmental subrecipients of States, are required to use the same State policies and procedures used for procurement from non-Federal funds. They also must ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Local governments will use procurement procedures that conform to applicable Federal law and regulations and standards identified in the *A-102 Common Rule* or *OMB Circular A-110 (2 CFR part 215)*, as applicable.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Non-Federal entities receiving contracts from the Federal Governmental are required to comply with the contract clause at FAR 52.209-6 before entering into a subcontract that will exceed \$30,000, other than a subcontract for a commercially available off-the-shelf item.

The grant agreements require project records to be available for three years from the final expenditure report.

CITY OF BREA, CALIFORNIA

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2018

III. Federal Award Findings and Questioned Costs (Continued)

Condition:

Material Weakness, Material Instance of Noncompliance - For one of three procurement files tested, the City was unable to provide the procurement files supporting the contract's competitive procurement, or documentation for allowable exceptions, under the City's procurement policy, in accordance with the criteria above. Further, one of three procurement files tested did not have evidence of verification at the time of procurement of whether the entity was suspended or debarred as described under the criteria above.

Questioned Costs:

\$424,738 (total federal expenditures for year ended June 30, 2018 related to the vendor) – total award amount related to the vendor for the project was \$1,034,777.

Context:

The condition noted above was identified during our procedures related to procurement, suspension, and debarment requirements for the program.

Effect:

The City has not complied with the specific requirements for the procurement of federally funded contracts as described under the criteria above.

Cause:

The City was unable to provide evidence that the procurement guidelines were followed as described above. The City originally procured the vendor in August 2012 for a one-year term, and had not retained the bidding and other procurement files for this contractor. Subsequent to August 2012, the contract was amended six times without a new competitive procurement process, extending the term through May 2015, and the contract price from \$24,500 to \$1,034,777.

The City was unable to provide evidence that the City complied with the Suspensions and Debarment requirements at the time the contract was entered into, although the vendor is currently not suspended or debarred.

Recommendation:

We recommend the City review its policies and internal control procedures, and retain appropriate procurement documentation with respect to all Federal procurements for three years from the final expenditure report. Due to the nature of the Federal requirements, evidence to support the City's compliance with the terms and conditions of the award should be retained.

Views of Responsible Officials and Planned Corrective Actions:

See separate Corrective Action Plan.

CITY OF BREA, CALIFORNIA

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2018

III. Federal Award Findings and Questioned Costs (Continued)

Finding Number 2018-003

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation and Department of Parks and Recreation

Award No. and Year: CML-5237 (035); ATPL-5237(027); ATPL-5237(035); RT-30-026

Compliance Requirements: Special Tests and Provisions – Administration of Engineering and Design Related Service Contracts

Criteria:

The *Part 4 – April 2018 Compliance Supplement* states that Local Public Agencies (LPAs) must use qualifications based selection procedures when acting as contracting agencies to procure engineering and design-related services from consultants and sub-consultants for projects using Federal-aid highway funds (23 USC 112(b)(2); 23 CFR part 172). In addition, Contracting Agencies (LPAs) must meet the following requirements:

1. Have written policies and procedures for each method of procurement used to procure engineering and design services. These policies and procedures must be approved by the Federal Highway Administration (FHWA). LPAs that are subrecipients may adopt written policies and procedures prescribed by the awarding State DOT or prepare and maintain their own written policies and procedures approved by the State DOT (23 CFR section 72.5(c)).
2. LPAs are required to accept the indirect cost rates for consultants and sub-consultants that have been established by a cognizant agency in accordance with Federal Acquisition Regulation (48 CFR part 31) for 1-year applicable accounting periods.

According to 23 CFR Part 172, engineering and design related services means:

1. Program management, construction management, feasibility studies, preliminary engineering, design engineering, surveying, mapping, or architectural related services with respect to a highway construction project subject to 23 U.S.C. 112(a) as defined in 23 U.S.C. 112(b)(2)(A); and
2. Professional services of an architectural or engineering nature, as defined by State law, which are required to or may logically or justifiably be performed or approved by a person licensed, registered, or certified to provide the services with respect to a highway construction project subject to 23 U.S.C. 112(a) and as defined in 40 U.S.C. 1102(2).

The grant agreements require project records to be available for three years from the final expenditure report.

Condition:

Material Weakness, Material Instance of Noncompliance – For the City’s procurement of engineering and design related services, for one of one contracts tested, the City was unable to provide supporting documentation of the contract’s competitive procurement process, or evidence of allowable exceptions, as described in finding number 2018-002.

Further, the City’s procurement policy did not specifically include written procedures over each method of procurement used to procure engineering and design services. The City’s policies for professional service contracts were not specific to engineering and design services, nor was there evidence of approval by the State of California Department of Transportation. The City was able to provide the indirect cost self-certifications from the vendor for 2012 through 2016, but not the 2017 calendar year.

CITY OF BREA, CALIFORNIA

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2018

III. Federal Award Findings and Questioned Costs (Continued)

Questioned Costs:

\$424,738 (total federal expenditures for year ended June 30, 2018 related to the vendor) – total award amount related to the vendor for the project was \$1,034,777.

Context:

The condition noted above was identified during our procedures related to special tests and provisions, which is subject to the *Uniform Guidance*. We identified one contract related to engineering and design services.

Effect:

The City has not complied with the specific requirements when procuring engineering and design-relate services from consultants and sub-consultants for projects using Federal-aid highway funds as described in the *Part 4 – April 2018 Compliance Supplement* of the *Uniform Guidance*.

Cause:

The City did not ensure that required procedures were followed in accordance with *Part 4 – April 2018 Compliance Supplement* of the *Uniform Guidance*.

Recommendation:

We recommend the City establish written policies and internal control procedures when the City procures engineering and design-relate services from consultants and sub-consultants for projects using Federal-aid highway funds in accordance with the *Part 4 – April 2018 Compliance Supplement* of the *Uniform Guidance* and 23 CFR Part 172.

Views of Responsible Officials and Planned Corrective Actions:

See separate Corrective Action Plan.

Finding Number 2018-004

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation

Award No. and Year: ATPL-5237(027); ATPCML-5237(035)

Compliance Requirements: Reporting

Criteria:

Per the 2 CFR 200.303(a), *Internal Controls*, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

CITY OF BREA, CALIFORNIA

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2018

III. Federal Award Findings and Questioned Costs (Continued)

Condition:

Significant Deficiency – The City’s process requires the City Engineer to review and approve the reports prior to submission. However, there was no evidence retained of the review and approval of the City Engineer prior to submission of the Active Transportation Program (ATP) Project Progress Report, which is required to be submitted on a semi-annual basis.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to reporting testwork. For three of three reports tested, the City was unable to provide evidence of the City’s review and approval process prior to submission of the semi-annual reports, including the Active Transportation Program (ATP) Project Progress Report.

Effect:

The City has not established a procedure documenting the review and approval of the ATP report prior to submission. The City’s lack of controls over the report could cause errors or omissions to go undetected.

Cause:

The City does not have a formal documented process to review and approve the reports prior to submission.

Recommendation:

We recommend the City formalize procedures and retain evidence of City Engineer’s review and approval of the semi-annual reports required by the Highway, Planning and Construction federal program.

Views of Responsible Officials and Planned Corrective Actions:

See separate Corrective Action Plan.

CITY OF BREA, CALIFORNIA

Schedule of Prior Year Audit Findings For the Year Ended June 30, 2018

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

Financial Statement Findings

| Finding No. | Description | Status of Corrective Action |
|-------------|---|-----------------------------|
| 2017-001 | Financial Reporting and Closing | Implemented |
| 2017-002 | Bank Reconciliations | Implemented |
| 2017-003 | Vendor Creation, Procurement and Disbursement | Implemented |
| 2017-004 | Journal Entries | Implemented |
| 2017-005 | Debt Filings | Implemented |

Federal Award Findings

| Finding No. | CFDA # | Program Name | Compliance Requirement | Status of Corrective Action |
|-------------|----------------|---|--|--|
| 2017-006 | 20.205, 20.219 | Highway Planning and Construction Cluster | Allowable Costs/Cost Provisions, Cash Management, Procurement, Suspension, and Debarment | The Procurement, Suspension and Debarment component has been implemented. For the Allowable Costs/Cost Provisions and Cash Management provisions, refer to Finding 2018-001 and City's Separate Corrective Action Plan and Separate Summary Schedule of Prior Audit Findings |



CITY OF BREA, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2018

Compiled by: Cindy Russell, Administrative Services Director

City Council

Christine Marick
Mayor

Marty Simonoff
Mayor Pro Tem

Cecilia Hupp
Council Member

Glenn Parker
Council Member

Steven Vargas
Council Member

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CITY OF BREA, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2018

I. FINANCIAL STATEMENT FINDINGS

None Reported.

CITY OF BREA, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2018

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number 2018-001

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation and Department of Parks and Recreation

Award No. and Year: ATPCML-5237 (035); ATPCML-5237(028); ATPL-5237(027); STPL-5237 (036); RT-30-026

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management

Management's or Department's Response:

We concur that this condition existed as of June 30, 2018.

Views of Responsible Officials and Corrective Action:

As stated in the finding, the City implemented a written Grant Management Policies and Procedures (GMPP) document dated November 20, 2018 which documents a number of procedures that were already in place, including procedures for determining the allowability of costs; cash management and procurement. Additionally, new policies and procedures related to best practices were included in the GMPP. Staff provided this document to all City staff and has conducted meetings with City departments to review and ensure that staff is aware of the policies and procedures as written.

Name of Responsible Person: Lee Squire, Fiscal Services Manager

Implementation Date: November 20, 2018

CITY OF BREA, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2018

Finding Number 2018-002

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation and Department of Parks and Recreation

Award No. and Year: ATPCML-5237 (035); ATPL-5237(027); RT-30-026

Compliance Requirements: Procurement, Suspension, and Debarment

Management's or Department's Response:

We concur that the City did not meet certain record keeping compliance in support of procurement, suspension and debarment; however, do not concur that this is a questioned cost.

Views of Responsible Officials and Corrective Action:

For the procurement file referenced, the City conducted a competitive procurement process to procure the contract in 2012. The evidence of the competitive process provided by the City included a copy of the Request for Proposal (RFP) that was prepared indicating proposals were due by July 13, 2012; the list of parties to which the RFP was originally sent; the proposal submitted by the successful proposer dated July 12, 2012 and a description in several City Council staff reports beginning in May 2013 of the process used to procure the contract. The process described in those City Council staff reports included the receipt of nine (9) proposals to provide the services requested; an evaluation that included interviews, reference checks and a cost analysis of the proposals. The staff reports document the methodology and analysis used to make the recommendation to award the subsequent amendments to the contract when the project expanded from one segment to over six segments as additional project funding became available.

City staff recognizes the requirement to maintain project records for three years from the final expenditure report and the importance of maintaining proper procurement documentation for Federally-funded projects as evidenced by the two other files that were tested to the satisfaction of the auditor. Unfortunately, the City is unable to locate the original procurement file on this contract from July 2012. Therefore, the City could not produce additional evidence to the auditor's satisfaction such as the eight (8) unsuccessful proposals from the competitive process; any documents such as rating sheets, cost analysis information or notes regarding the methodology used and reasons for the original recommendation to City Council of the entity.

Additionally, the City provided a copy of its policies and procedures regarding Debarment and Suspension dated March 22, 2011 as it relates to procurement. However, due to the missing file, it is not known whether or not City staff checked to verify whether or not the vendor was suspended or debarred at the time of procurement. Therefore, staff obtained and provided documentation from information maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> that the entity has not been suspended or debarred since October 31, 2012 as well as confirming that they are currently not suspended or disbarred.

The City will update its Grant Management Policies and Procedures to ensure that these requirements are sufficiently documented. Additionally, the City will be considering maintaining a copy of the pertinent records for documentation along with the contract on file in the Purchasing Division office.

Name of Responsible Person: Neil Groom, Procurement and Contracts Administrator

Implementation Date: June 30, 2019

CITY OF BREA, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2018

Finding Number 2018-003

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation and Department of Parks and Recreation

Award No. and Year: CML-5237 (035); ATPL-5237(027); ATPL-5237(035); RT-30-026

Compliance Requirements: Special Tests and Provisions – Administration of Engineering and Design Related Service Contracts

Management's or Department's Response:

We concur that the City did not have evidence available to support certain special tests and provisions; however, do not concur that this is a questioned cost

Views of Responsible Officials and Corrective Action:

As described in the response to Finding Number 2018-002, the City did provide certain evidence that the contract was competitively procured; however, was unable to provide all the evidence requested related to the procurement process due to a missing procurement file. The City of Brea practiced qualifications-based procurements in the past as evidenced by the RFP/RFQ procedures provided in its purchasing procedures document dated March 2005. This process was officially clarified and memorialized in Chapter 3.24 of the Brea City Code which was updated on November 21, 2017 (effective December 21, 2017) to include professional services and its Grants Management Policies and Procedures effective November 20, 2018. These procedures are for professional services; however, not specific to engineering and design only.

Additionally, due to the City's inability to locate the original procurement file from 2012, evidence regarding whether or not the City accepted an approved indirect cost rate (ICR) was unavailable. As indicated in the finding, the City has provided the indirect cost self-certifications from the vendor for 2012 through 2016. City staff is currently in contact with the vendor to obtain the 2017 indirect cost self-certification.

The City will be updating the Grants Management Policies and Procedures (GMPP) to include detailed information regarding specific procedures over methods of procurement used for engineering and design services. Additionally, the requirements to maintain documentation regarding the ICRs throughout the term of a contract will be documented in the GMPP

Name of Responsible Person: Neil Groom, Procurement and Contracts Administrator

Implementation Date: June 30, 2019

CITY OF BREA, CALIFORNIA

Corrective Action Plan

Year ended June 30, 2018

Finding Number 2018-004

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205, 20.219

Federal Grantor: U.S. Department of Transportation

Passed-through: State of California: Department of Transportation

Award No. and Year: ATPL-5237(027); ATPCML-5237(035)

Compliance Requirements: Reporting

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Action:

As stated in the finding, the City's procedures include a review of the Active Transportation Program (ATP) Project Progress Reports by the City Engineer. The City's Grants Management Policies and Procedures will be updated to indicate that documentation of such review and approvals be maintained in the project files.

Name of Responsible Person: Lee Squire, Fiscal Services Manager

Implementation Date: June 30, 2019

CITY OF BREA, CALIFORNIA

Independent Accountants' Report on
Applying Agreed-Upon Procedures Related To
The Article XIII-B Appropriations Limit Calculation

For the Fiscal Year Ended June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES RELATED TO
THE ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION**

To the Members of the City Council
City of Brea, California

We have performed the procedures enumerated below, which were agreed to by the City of Brea, California (City) (the specified party), on the Appropriations Limit Calculation of the City prepared in accordance with Article XIII-B of the California Constitution for the fiscal year ended June 30, 2018. The City's management is responsible for the Appropriations Limit Calculation. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been required or for any other purpose.

The procedures and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish the City's appropriations limit and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council. We recalculated the appropriation limit provided by the City.

Findings: No exceptions were found as a result of this procedure.

2. We added last year's limit to the annual adjustment amount, and compared the resulting amount to the 2017-2018 appropriations limit.

Findings: No exceptions were found as a result of this procedure.

3. We compared the current year information to the worksheets described in Procedure 1 above.

Findings: No exceptions were found as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by the City Council.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the City's Appropriation Limit Calculation. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than those specified parties.

Yavrinek, Trine, Day & Co., LLP

Laguna Hills, California

March 8, 2019

City of Brea

FINANCE COMMITTEE COMMUNICATION

TO: Finance Committee Members

FROM: Bill Gallardo

DATE: 04/09/2019

SUBJECT: Replacement of Current AT&T Copper Wire Phone Circuit Lines to a Virtual Connection, Incorporating a Redundant Internet Connection for Disaster Recovery Internet Connectivity

RECOMMENDATION

Authorize the City's Procurement and Contracts Administrator to sign the agreement and any subsequent renewals for AT&T to add Session Initiation Protocol (SIP) telephone trunk lines to replace our current Primary Rate Interface (PRI) physical line.

BACKGROUND/DISCUSSION

The installation of SIP trunks will provide more flexibility with our new phone system and our Internet connectivity. Because our new phone system uses Voice over Internet Protocol (VoIP) to communicate, installing SIP trunks here at the Brea Civic & Cultural Center and at the City Maintenance Yard (our offsite disaster recovery location) would allow us to leverage the SIP line at the Maintenance Yard as a secondary internet connection which will serve as a backup for business continuity and disaster recovery (DR) purposes.

In the event of a phone system failure or the loss of our primary SIP trunk, calls can be routed through the second SIP trunk, reducing downtime and allowing us to maintain phone system communication. In addition, the SIP trunks would also provide redundancy for the City's Internet service. In the event of a network outage due to loss of connectivity, Internet traffic can be routed through the secondary connection and allow us to maintain online access.

SUMMARY/FISCAL IMPACT

This 3 year agreement with AT&T is using CALNET 3 pricing which is a competitively bid contract that provides a comprehensive array of telecommunications and network services to public entities throughout the state.

SIP trunking will cost \$19,824 per year. The current annual AT&T phone circuit rate is \$13,200. SIP trunks will replace the existing phone lines, eliminating this expense from the IT operating budget.

The difference between the annual SIP trunk expense and this offset represents a net cost of \$6,624 per year as follows:

| | SIP Cost | Offset | Net Cost |
|--------------|-----------------|-------------------|-----------------|
| Year 1 | \$19,824 | (\$13,200) | \$6,624 |
| Year 2 | \$19,824 | (\$13,200) | \$6,624 |
| Year 3 | \$19,824 | (\$13,200) | \$6,624 |
| Total | \$59,472 | (\$39,600) | \$19,872 |

As a result of the upgrade to our new phone system, the budgeted annual maintenance costs have been reduced from \$40,000 to \$15,000 per year. This ongoing savings will offset the additional \$6,624 per year while further reducing annual IT budget expenditures by \$18,376.

RESPECTFULLY SUBMITTED

William Gallardo, City Manager

Prepared by: Anthony Godoy, Management Analyst II

Concurrence: Cindy Russell, Administrative Services Director and
Randy Hornsby, IT Manager

Attachments

Internet & Voice Proposal

AT&T Dedicated Internet & Voice Bundle Proposal for City of Brea



Presented by

SEAN SIMPSON

ss6862@us.att.com

714-651-9665

| | |
|----------------------------------|------------|
| Contract Term: | 36 |
| Total Non-Recurring Charges: | \$0.00 |
| Total Monthly Recurring Charges: | \$1,652.00 |
| Total Number of Sites: | 2 |

Site Level Monthly Recurring Charges

| Address | AT&T Dedicated Internet Access Port Speed | AT&T IP Flexible Reach Concurrent Calls | AT&T IP Toll- Free Add-On | Enhanced Features | Total Monthly Recurring Charge |
|--|---|---|------------------------------|----------------------|---|
| Value Unit | Mbps | Concurrent Calls | US\$ | Yes or No | US\$ |
| Maintenance Yard 545 N BERRY, BREA, CA. 92821-3107 | 50Mbps | 10 Concurrent Calls | \$0.00 | Yes | \$765.00 |
| City Hall 1 CIVIC CENTER CIR, BREA, CA. 92821-5792 | 10Mbps | 46 Concurrent Calls | \$0.00 | Yes | \$887.00 |

*Disclaimer: This quote/proposal is not a firm offer to purchase, and is for budgetary purposes only.
Only the contract for this solution is a firm offer to purchase.*

The information and pricing contained herein is valid for a period of 60 days from the written date of this document unless rescinded or extended in writing by AT&T. This proposal is conditioned upon negotiation and execution of a written agreement containing mutually acceptable terms and conditions. Pricing proposed herein is based upon the specific product/service mix and locations outlined herein and as discussed by the parties, and is subject to standard terms and conditions of AT&T unless otherwise stated herein. The contents of this document are proprietary and confidential and may not be copied, disclosed, or used, in whole or in part, without the express written permission of AT&T.

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Disclaimer: This quote/proposal is not a firm offer to purchase, and is for budgetary purposes only. Only the contract for this solution is a firm offer to purchase.