

Reviewed by:  City Administrator  
 City Attorney 

Motion only  
 Public Hearing  
 Resolution  
 Ordinance  
 Information

**Submitted by:** Ruth Ellis, Administrative Staff Assistant

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** 27th Annual Susan River Junior Fishing Derby: April 23, 2016

**PRESENTED BY:** Jared G. Hancock, City Administrator

**SUMMARY:** The Lassen Sportsmen's Club has been sponsoring the Annual Susan River Junior Fishing Derby for the past 27 years. Through the years, this has developed into one of the best family events offered in the community.

The Lassen Sportsmen's Club has once again asked the City of Susanville to co-sponsor the Derby and allocate \$1,000 for the event. The Derby's budget is approximately \$5,000 each year with more than \$3,000 of that amount going toward the purchase of fish.

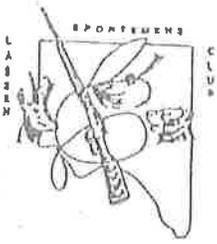
In years past, the City has waived the use fee and offered Memorial Park as the staging area for the event and assisted with the printing of forms and participant numbers. Parks Superintendent Davis Dow will be working with the Sportsmen's Club to set up for the event.

In previous years the City Council has designated the Junior Fishing Derby as the recipient of the "Recreation Round-up" funds and/or Civic Contribution funds. As of March 29, 2016, the balance in the Recreation Round-up fund is \$901.86 and the remainder of the Civic Contribution Funds were recently allocated to the Lassen/Modoc Food Bank.

**FISCAL IMPACT:** Staff time in support of the event.

**ACTION REQUESTED:** Motion to approve co-sponsorship of the 27<sup>th</sup> Annual Susan River Junior Fishing Derby on April 23, 2016, waive park reservation fees and allocate funds to the 27<sup>th</sup> Junior Fishing Derby.

**ATTACHMENTS:** Letter of request from Lassen Sportsmens Club.



# Lassen Sportsmens Club

PO Box 270773 • Susanville, CA 96127

February 22, 2016

Susanville City Council  
Attn: Mayor Brian Wilson  
66 N Lassen St  
Susanville, CA 96130

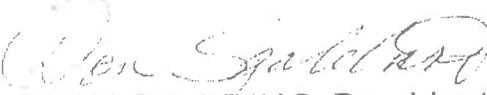
Dear Mayor Wilson and Council Members:

The Lassen Sportsmens Club will once again be holding the 27th Annual Junior Fishing Derby on Saturday, April 23rd, 2016 at Memorial Park. We would like to invite you and the County of Lassen to officially co-Sponsor this event. As part of that sponsorship we would request that the City waive the use fee at Memorial Park for the staging of the event. Additionally, we would request the City to provide insurance coverage for the event as well.

The budget of the Derby is approximately \$5,000 each year, with more than \$3,000 of that amount going towards the purchase of the fish. If the city, through the Round-up fund or other funds, were able to allocate \$1,000 towards the derby, it would be greatly appreciated. The balance of the funds have come from the county and from the local businesses and local organizations.

If you have any question please feel free to call me at any time at 530-339-2153.

Sincerely,

  
DON SPALDING, President  
Lassen Sportsmens Club

Reviewed by:     City Administrator  
    City Attorney

    Motion only  
    Public Hearing  
    Resolution  
    Ordinance  
    Information

**Submitted by:** Arlene F. Zelano, Administrative Assistant

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** Resolution No. 16-5272 approving and authorizing Mayor to execute Memorandum of Understanding with the State of California for Conservation Camp Program and authorizing City Administrator to sign Project Requests

**PRESENTED BY:** James M. Moore, Fire Chief

**SUMMARY:** The City of Susanville endeavors to utilize additional local resources to complete ongoing maintenance and projects to ensure that Susanville is a visually appealing and safe community. Some of these tasks include abatement of weeds on City Parks and Golf Course, River Trail and Skyline Park Trail maintenance, and Susan River bank and vegetation maintenance. The City has utilized the services of the Cal Fire Conservation Camp crews for these tasks. Cal Fire trains and maintains the fire crews at the California Correctional Center, and the cost for a sixteen person crew is \$200 per day and includes supervision, transportation, fuels and equipment. In addition, a 12.5% administrative fee, or other in-kind methods of payment agreed upon by both agencies before work begins is also charged. Use of the crews requires execution of a current Project Request (FC-32) and a two-year Memorandum of Understanding with the State of California.

**FISCAL IMPACT:** Determined by project length

**ACTION REQUESTED:** Motion to approve Resolution No. 16-5272 approving and authorizing Mayor to execute Memorandum of Understanding with the State of California for Conservation Camp Program and authorizing City Administrator to sign Project Requests.

**ATTACHMENTS:**

- Resolution No. 16-5272
- FC-31 Memorandum of Understanding
- Project Request (FC-32)

**RESOLUTION NO. 16-5272**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE**  
**APPROVING AND AUTHORIZING MAYOR TO EXECUTE MEMORANDUM OF**  
**UNDERSTANDING FOR USE OF CONSERVATION CAMP PROGRAM WITH THE**  
**STATE OF CALIFORNIA AND AUTHORIZING THE CITY ADMINISTRATOR TO SIGN**  
**CONSERVATION CAMP PROJECT REQUESTS (FC-32)**

**WHEREAS**, the City of Susanville has many maintenance tasks and projects on City owned public property; and

**WHEREAS**, the State of California Department of Forestry and Fire Protection trains and maintains wildland fire crews at the California Correctional Center and these work crews are available to the City for various uses on public property; and

**WHEREAS**, the crews are available at a cost per sixteen person crew with supervision, transportation, fuels and equipment for \$200 per day plus 12.5 percent administrative fee, or other in-kind methods of payments agreed upon by both agencies before work begins;

**WHEREAS**, the use of Conservation Camp work crews requires the execution of a two year Memorandum of Understanding with the State of California Department of Forestry and Fire Protection; and

**WHEREAS**, a Conservation Camp Project Request form FC-32 must be submitted per project prior to the use of the crew.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Susanville:

1. Authorizes the Mayor to execute the Memorandum of Understanding FC-31;
2. Authorizes the City Administrator to sign Conservation Camp Project Request (FC-32) prior to the commencement of utilization of the work crew.

APPROVED: \_\_\_\_\_  
Brian R. Wilson, Mayor

ATTEST: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing Resolution No. 16-5272 was adopted at a regular meeting of the City Council of the City of Susanville, held on the 6<sup>th</sup> day of April, 2016 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Ryan, City Attorney

STATE OF CALIFORNIA  
DEPARTMENT OF FORESTRY AND FIRE PROTECTION  
CONSERVATION CAMP PROGRAM – MEMORANDUM OF UNDERSTANDING  
FC-31 (Rev. 11/10)  
MOU # 16-ATP-45 Master Agreement # \_\_\_\_\_

This Memorandum of Understanding (MOU) is made and entered into by and between the California Department of Forestry and Fire Protection (CAL FIRE) and City of Susanville (Sponsor).

WHEREAS, CAL FIRE is authorized under Public Resources and Penal Codes to utilize inmates, or wards, assigned to conservation camps to perform the work of CAL FIRE;

WHEREAS, through contracts or cooperative agreement CAL FIRE may permit inmates, or wards to be used in the performance of conservation projects, fuels management and or hazard reduction (which could include slash and pile burning) for a public agency (local, state, or federal) or a qualified nonprofit organization under policies established by the Prison Industries Authority; and

WHEREAS, the Sponsor has a need for assistance in performing such projects,

The parties agree as follows:

- A. The Sponsor shall submit project proposals on a form approved by CAL FIRE (currently an FC-32). By doing so, with reference to any such proposals subsequently approved by the CAL FIRE, Sponsor agrees to:
  1. Pay for all costs directly related to and necessitated by such projects, except for wages, salaries, and other remuneration paid to CAL FIRE employees, inmates, or wards, and the cost of their support.
  2. Demonstrate the availability of adequate plans and specifications, sufficient funds, materials, supplies, and equipment, adequate technical supervision and any special labor requirements to complete such projects.
  3. Obtain the approvals, notification, and permits required by any state, federal, or local agency necessary to commence construction, fuels management, or operation of such projects.
  4. Hold an orientation meeting with CAL FIRE at the commencement of such projects to explain the technical aspects, execution of, and need for such projects.
- B. From proposals submitted by the Sponsor, CAL FIRE shall select those projects meeting the priorities and resources of CAL FIRE. CAL FIRE shall submit evaluations to Sponsor that set forth any special requirements or conditions related to the projects. By so doing, with reference to any such evaluations subsequently approved by Sponsor, CAL FIRE agrees to provide labor, crew, supervision, normal transportation, food, and such tools as CAL FIRE determines to be available. Upon receipt of Sponsor's acceptance of such evaluations, projects shall be assigned to a conservation camp where they will be scheduled in accordance with the priorities and resources of CAL FIRE.
- C. Timing
  1. Sponsor recognizes that fire suppression and other emergency activities have priority over any other work for conservation camp crews.
  2. Sponsor further recognizes that the resources of CAL FIRE are limited and the public service conservation work of CAL FIRE may be altered in priority form time to time.
  3. Projects will be performed within the rules and regulations of CAL FIRE which may require temporary suspension or permanent cessation of projects due to emergency conditions as defined by such rules and regulations.
  4. The Parties agree that any justified delays by either party shall be excused and costs caused by such delays shall be borne by the party incurring such costs.
- D. Work performed under this MOU will be under the immediate supervision of CAL FIRE officials. The Sponsor will provide such operation supervision, technical assistance, guidance, and inspection, as it considers necessary to properly complete the work.
- E. Nothing herein shall be construed as obligating the Sponsor to expend or to obligate funds in excess of appropriations authorized by law.
- F. All improvements constructed in whole or in part on lands owned or controlled by Sponsor will remain the property of Sponsor.
- G. Permission to perform work on lands owned or controlled by Sponsor does not in any way convey to CAL FIRE, its staff or any persons working with CAL FIRE in the performance of said work, employee status that would extend to them the benefits afforded to permanent employees of Sponsor.

- H. Upon completion of each project, or any phase thereof, permission is hereby granted to CAL FIRE to place upon the project site a sign or emblem consistent in size and design to its surroundings, indicating the participation of CAL FIRE and the year thereof.
- I. Other than as indicated in Section H, neither party shall use the name of the other party in any form or manner in advertisements nor other information released to the public without the prior written approval of the other party. Sponsor may be, and CAL FIRE is, subject to the California Public Records Act. This Section I is not intended to prohibit either party from legally complying with the PRA.
- J. Each party, to the extent permitted by law, agrees to indemnify and hold harmless the other party, its officers, agents and employees from all claims, demands, or liability arising out of the indemnifying party's performance under this MOU except where such injury or damage arose from the sole negligent or intentional acts or omissions of the other party.
- K. Neither party may assign this MOU or any interest herein without the written consent of the other party.
- L. Subject to the provisions herein, all remedies allowed by law are available to either party for enforcement of this MOU. Any waiver of rights by either party on any matter related to this MOU shall not be deemed to be a waiver on any other matter relating to the MOU.
- M. All provisions of this MOU constitute essential elements of the agreed exchange that is the subject matter of this MOU. Accordingly, if any of these provisions are determined to be invalid, illegal, or unenforceable in any material respect, the remainder of this MOU is not enforceable against either of the Parties except as may be necessary to effect payment for services already rendered.
- N. This MOU may be modified by mutual written agreement of the parties.
- O. This MOU takes effect shall remain in effect until 1-15-2018, unless terminated prior to that date by 60 days written notice from one party to the other.

IT IS AGREED:

CAL FIRE

SPONSOR \_\_\_\_\_

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

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

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

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

Print Name:

Print Name:

Title:

Title:

Address:

Address:

<b>CAL FIRE USE ONLY</b>	PROJECT NAME
	DATE
	FC-79 CODING

<b>CAL FIRE USE ONLY</b>	<b>CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION</b>	
	NAME	
	ADDRESS	
	CITY, STATE	
	PHONE	FAX

<b>CDCR/DJJ-CHECKLIST CUSTODIAL QUARTERLY REVIEW</b>			
INITIAL INSPECTION			
SECURITY FORM PREPARED			
SUPERVISION LEVEL	1	2	3
SECOND QUARTER			
THIRD QUARTER			
FOURTH QUARTER			

<b>SPONSORING AGENCY</b>	
<b>SPONSORING AGENCY</b>	NAME
	ADDRESS
	CITY, STATE
	PHONE
	FAX
	PAGER
	COMMENTS:

<b>CAL FIRE-CHECKLIST</b>	
<b>CAL FIRE USE ONLY</b>	INITIAL INSPECTION
	PROJECT NUMBER
	IIPP-2 JOB HAZARD ANALYSIS
	IIPP-3 CODE OF SAFE PRACTICES
	IIPP-4 JOB SAFETY SURVEY
	IIPP-6 EMPLOYEE TRAINING
	CEQA/NEPA COMPLETED
	FC-31 ATTACHED AND SIGNED
	SLASH & PILE BURNING PROCEDURES

**PROPERTY OWNER**

PRIVATE PROPERTY? <input type="checkbox"/> YES <input type="checkbox"/> NO	NON PROFIT ORGANIZATION <input type="checkbox"/> YES <input type="checkbox"/> NO	FORM CAL FIRE 719 <input type="checkbox"/> YES <input type="checkbox"/> NO
PROPERTY OWNER		
ADDRESS		
CITY/STATE/ZIP	PHONE	
DESCRIPTION OF PROJECT (Type of work to be performed, attached additional sheets if necessary)		

PERIOD WORK CAN BE PERFORMED		ESTIMATED CREW DAYS
REQUESTED START DATE	REQUESTED FINISH DATE	
PLANS ATTACHED <input type="checkbox"/> YES <input type="checkbox"/> NO		
PROJECT NAME	SPONSOR'S PRIORITY	
PROJECT LOCATION		
		GPS COORDINATES

**PROJECT BENEFIT ASSESSMENT (Estimate the benefits of the project including such items as; fire defense, public safety, watershed, recreation, wildlife habitat, property, vegetation, soil, water, air surface configuration, wildlife, people, economic benefits that include; reduced maintenance costs, reduced suppression costs, reduced damage, elimination of hazards, etc. attach additional sheets as necessary).**

**PROJECT SLASH & PILE BURNING PROCEDURES**

- YES     NO Predicted Fire Weather Watches or Warnings
- YES     NO Hazard Reduction Pile Burning Checklist (8100)
- YES     NO Sponsor has a valid burn permit on site.
- YES     NO All slash & piles will be consumed or extinguished prior to crew leaving project site.
- YES     NO Sponsor will provide suppression control capabilities and supervision of all slash & pile burning that continues beyond crew work day.
- YES     NO Notification to agency with fire suppression responsibility for the project burn site.

STATE OF CALIFORNIA  
 DEPARTMENT OF FORESTRY AND FIRE PROTECTION  
**CONSERVATION CAMP PROGRAM PROJECT REQUEST  
 AND RECORD**  
 FC-32 (REV. 10/11) PAGE 3 OF 3

CAL FIRE USE ONLY	PROJECT SPONSOR RESPONSIBILITIES	DESCRIPTION	ESTIMATED DURATION OF NEED
	MATERIALS AND SUPPLIES		
	SPECIAL TOOLS		
	VEHICLE OPERATIONS		
	TECHNICAL SUPERVISION AND LABOR		
	OTHER (DESCRIBE)		

**OPERATIONAL COST RECOVERY FROM SPONSOR**

CAL FIRE USE ONLY			
	Total \$200/day (plus current F/Y administrative fee)		\$

CAL FIRE USE ONLY	<b>Approved For Final Planning and Scheduling</b>	
	CAL FIRE DIVISION CHIEF	DATE
	CDCR CAMP COMMANDER	DATE
	UNIT CHIEF	DATE

<b>Sponsors Signature</b>	
NAME (PRINT)	
SIGNATURE	DATE
TITLE	

Reviewed by: YAH City Administrator  
                  \_\_\_ City Attorney

- Motion only
- Public Hearing
- Resolution
- Ordinance
- Information

**Submitted by:** Dan Newton, Public Works Director

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** Resolution No. 16-5274 approving the 2016 Water Rate Analysis and Calculations Study.

**PRESENTED BY:** Dan Newton, Public Works Director

**SUMMARY:** The City strives to provide the highest quality water at reasonable costs to its residents. In an effort to address infrastructure needs, water rates were increased moderately in 2008. Revenue from the 2008 rate modification is used entirely for repair and replacement of existing infrastructure. It has not been since 2005 that rates have been increased to cover increases in non-infrastructure related operational costs. Additionally, personnel costs and services and supplies costs have continued to increase over the past 11 years.

Pursuant to the requirements of the California Constitution, Article 13D, Staff has prepared the 2016 Water Rate Analysis and Calculations Study (Study) for Council's consideration. The Study is the first step in the approval process to modify the existing water rate structure. The results of the Study indicate that a rate increase is necessary to cover operational costs which include the costs to complete additional infrastructure improvements. The Study does not include the costs to replace all of the City's deteriorated infrastructure but does accomplish replacement of the most vulnerable water mains and service laterals. The Study provides an analysis of the cost to provide service. Costs identified within the study have been forecasted through the next 5 years, including an annual 2% adjustment for personnel, services and supply costs. Costs for modest system improvements have also been identified. Also, discussed within the study is the need to complete a water system master plan within the next 5 years.

As presented in the Study, the proposed modification will not change the existing base rate. The quantity rate will transition from the existing five tiered rate to a two tiered rate based on the time of year when customers are irrigating. The proposed quantity rate increase will not result in an increase to those customers who are currently using less than 300 cubic feet per month. However, customers using larger quantities of water will see the greatest increase as represented in the water rate comparison attachment. This rate design is consistent with industry standards and promotes conservation.

Upon approval of the Study, the rates do not automatically change; a public hearing is required prior to modifying the rate. Upon approval of the rate study a public hearing will be scheduled and notices would be mailed to property owners to allow 45 days for property owners that are customers of the City's water system to review and or protest any proposed increase.

A recommended rate increase for larger volume users and drought rate have been included in the analysis and comparisons of water bills are provided as an attachment to this staff report.

**FISCAL IMPACT:** None at this time. Fiscal impact will be tied to approval of any proposed rate adjustment.

**ACTION REQUESTED:** Motion to approve Resolution No. 16-5274 approving the 2016 Water Rate Analysis and Calculations Study.

**ATTACHMENTS:** Resolution No. 16-5274  
Water Bill Comparison  
Water Rate Study

**RESOLUTION NUMBER 16-5274**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE**  
**APPROVING THE 2016 WATER RATE ANALYSIS AND CALCULATIONS REPORT**  
**AND AUTHORIZING STAFF TO CONTINUE THE WATER UTILITY RATE**  
**MODIFICATION PROCESS.**

**WHEREAS**, the City of Susanville (City) owns the Susanville Municipal Water System; and

**WHEREAS**, to ensure that water rates reflect the true cost of operation and distribution, the City of Susanville is required to periodically review water rates through the preparation of a comprehensive water rate study with the primary objective of maintaining water rates that protect the continued financial health and stability of the City's water enterprise and providing rate stability; and

**WHEREAS**, the California Constitution, Article 13D, Section 6(3) requires that revenues derived from a fee or charge shall not exceed the funds required to provide the cost of service; and

**WHEREAS**, the Water Rate Analysis and Calculations report provides the justification required per Article 13D; section 6(3) of the California Constitution; and

**WHEREAS**, by approving that 2016 Water Rate Analysis and Calculations document, Council is not modifying water rates; and

**WHEREAS**, water rates can only be modified after the proposed rate increase is properly noticed and property owners have had an opportunity to protest the proposed rate modification; and

**WHEREAS**, upon approval of the Water Rate Analysis and Calculations report, Staff is prepared to implement requisite notification procedures.

**NOW THEREFORE BE IT RESOLVED**, that the City of Susanville City Council approves 2016 Water Rate Analysis and Calculations report and authorizes staff to continue the water rate modification process.

Dated: April 6, 2016

Approved: \_\_\_\_\_  
Brian R. Wilson, Mayor

Attest: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing Resolution No. 16-5274 was adopted at a regular meeting of the City Council of the City of Susanville held on the 6<sup>h</sup> day of April, 2016 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

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Gwenna MacDonald, City Clerk

Approved as to form:

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Jessica Ryan, City Attorney





Residential - Brookwood December 2015

WATER RATE COMPARISON

Meter Size	5/8	Current Rate Structure										New Rate Structure		Drainage Rate
Cubic Feet Usage	321,00	level 1: 1200 Units	level 2: 2500 Units	level 3: 2500 Units	level 4: 3500 Units	level 5: Remaining Units	Non Irr: Units	Irr: Units						
Season	Non Irrigation	Units left minus Base Rate	level 1: 1200 Units	level 2: 2500 Units	level 3: 2500 Units	level 4: 3500 Units	level 5: Remaining Units	Non Irr: Units	Irr: Units	STAGE 3				
CU FT		300	1200	2500	2500	3500	0			\$3.60				
Cost/CU FT		FREE	0.01245	0.01365	0.01485	0.01565	0.01645			0.0360				
CU FT		21	21	0	0	0	0							
Cost		\$ 0.26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.45	\$ -	0.76				
								Base Usage	\$ 23.65					
								Usage	\$ 0.26					
								Total	\$ 23.91					
								Base Usage	\$ 23.65					
								Usage	\$ 0.45					
								Total	\$ 24.10					
										0.76				
										23.65				
										0.76				
										24.41				

DECEMBER 2015 - RESIDENTIAL - BROOKWOOD



# **City of Susanville**

## **Water Rate Analysis and Calculations 2016**



**April 6, 2016**

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# 1 INTRODUCTION

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To ensure that water rates reflect the true cost of operation and distribution, the City of Susanville is required to periodically review water rates through the preparation of a comprehensive water rate study with the primary objective of maintaining water rates that protect the continued financial health and stability of the City's water enterprise and providing rate stability.

Analysis and Calculation objectives:

- Maintain financial health and stability of the City's water enterprise;
- Renewal of water rates to recover the full cost of service;
- Implementation of water shortage or drought rates;
- Preservation of rate equality and ensuring compliance with all legal requirements, including Proposition 218.

## Background

Historically, water rates have remained stagnate with the last increase occurring in 2008. The primary objective of the 2008 increase was to create a modest funding stream to facilitate critical repairs to the aged infrastructure that has already exceeded its projected useful life. Revenues generated from the increase are placed in a restricted fund and are only used for the repair or replacement of existing infrastructure. The additional revenues have facilitated the replacement of water meters and replacement of some of the most venerable sections of pipeline. The increase did not consider or address ongoing operational deficits.

Prior to 2008, the last rate analysis and subsequent increase occurred in 2005, which has been insufficient to maintain ongoing operations especially with state mandated water conservation, resulting in declining revenues.

Declining water enterprise fund balances resulted in a negative cash balance at the end of the 2014/2015 fiscal year. During preparation of the 2015/2016 fiscal year budget staff recommended that a rate study be prepared as a more comprehensive approach to rate setting. In addition, the State's Emergency Water Regulations imposed a 36% conservation mandate which has had a significant impact on revenues and available operation funding. The State has also mandated that the City adopt a drought surcharge which has been included in this analysis and will be implemented and increased commensurately with each stage of the City's Water Shortage Contingency Plan.

This rate analysis and calculation forecasts the fundamental operation and delivery costs through 2021 and includes the following categories;

- Operations and Management
- Water Delivery
- Depreciation
- Capital Improvement
- Conservation Programs
- Long Term and Short Term Debt

### **Executive Summary**

The system analysis and rate calculation concluded that insufficient cost recovery over the last two decades have resulted in inadequate funding to maintain and upgrade the continuously aging infrastructure and resulted in insufficient reserves to address increased operation and infrastructure replacement costs in a meaningful manner. Modest water rate increases will be required through 2021 to allow for the effective and prudent management of the enterprise in order to maintain service reliability and sustain a level of service that customers expect for a modern utility.

## 1.1 Current Water Rates

The City bills customers for water service on a monthly basis. *Table 1: Historic and Current Water Rates* shows rates from 2005 to 2016. Current water rates include 2 components, a Base Rate and a Quantity Rate.

1. **Base Rate (Fixed Charge):** All customers, residential and non-residential, are charged the same fixed rate based on meter size. The fixed charge applies regardless of water consumption and is designed to cover the fixed costs associated with system operation and maintaining the ability to serve each connection. Included in the fixed cost is the first 300 CF of water.

Meter size establishes the potential demand that a customer can place on the water system. Water system design is tied to the total capacity requirements and in turn, the utility's operating and capital costs. The City's smallest meter size is a 5/8" x 3/4" meter. Larger meters are charged based on their estimated capacity represented by meter ratios or maximum flow as recommended by the American Water Works Association (AWWA). The AWWA has established a set of capacity ratios using the maximum safe flow of various sizes of meters relative to the base or smallest meter size. These meter capacity ratios provide a basis for charging customers proportionally based on the capacity reserved for them in the water system.

Fixed charges were calculated in 2005 to recover approximately 50% of total water revenues.

2. **Quantity Rate (Water Consumption Charge):** All customer classes are currently billed according to a six-tiered inclining rate structure, with the cost for each unit of water increasing for each tier as customers use more water. Water is measured and billed at the hundred cubic feet (ccf) unit which is equal to 748 gallons of water.

The water consumption charges are currently set to recover about 50% of total water rate revenues.

**Table 1: Historic and Current Water Rates**

City of Susanville

Water Rate Analysis and Calculations 2016

Base Rate by Meter Size					
Meter Size	Max Flow* (GPM)	Meter Ratios**	2005 to 2008		2008 to Current
5/8"X3/4"	15	1.0	\$18.20		\$23.65
1"	25	1.7	\$26.39		\$31.93
1 1/2"	80	5.3	\$34.38		\$41.60
2"	100	6.6	\$44.72		\$54.11
3"	450	30	\$72.23		\$81.37
4"	1000	66.6	\$103.17		\$124.84
6"	2000	133.3	\$179.56		\$217.27
8"	3500	233.3	\$239.41		\$289.69
10"	5500	366.7	\$299.26		\$362.10
Water Quantity Rate Per ccf					
		0 - 300	\$0.855	0 - 300	included in base fee
		301 - 6300	\$1.057	301 - 1,500	\$1.245
		> 6301	\$1.235	1,501 - 4,000	\$1.365
				4,001 - 6,500	\$1.485
				6,501 - 10,000	\$1.565
				> 10,000	\$1.645
* Source: Badger Meter Product Data Sheets.					
**Meter ratios represent the capacity of each meter size relative to 5/8" X 3/4" meter.					

## 2 RATE SETTING LEGISLATION & PRINCIPLES

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### 2.1 Constitutional Rate Requirements

The California Constitution includes two key articles that directly govern water rate calculation and implementation: Article 10 and Article 13D. The water rates developed in this analysis are compliant with both of these constitutional mandates and the provisions of the California Water Code in addition to the Government Code which adds further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the cost of providing water service; b) allocate costs in proportion to the cost of serving each customer class; and c) promote conservation and discourage waste.

#### **Article 10, Section 2**

Article 10, Section 2 of the California Constitution was established by voter-approval in 1976 and requires public agencies to maximize the beneficial use of water, prevent waste, and encourage conservation. Section 2 states:

*“It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare”.*

#### **Article 13D, Section 6 (Proposition 218)**

Proposition 218 was adopted by California voters in 1996 and resulted in the addition of Article 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled to include ongoing utility service charges such as water, sewer and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges and b) substantive requirements for those charges. Article 13D requires voter approval for new or increased property-related charges but exempts from this voting requirement rates for water, sewer and garbage service.

The substantive requirements of Article 13D, Section 6 require that the City's water rates meet the following conditions:

- 1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
- 2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- 3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- 4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.
- 5) No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

A subsequent appellate court decision in 2011 further clarified that agencies must demonstrate, satisfactory to a court's independent judgment, that property-related fees and charges meet the substantive requirements of Section 6 (3). This rate analysis provides the required justification. The water rates derived in this report are based on a cost-of-service methodology that fairly apportions costs to all customers.

## **2.2 Use of Industry Standard Rate-Making Principles**

The rates calculated as a result of this analysis are based on a straightforward methodology that establishes an equitable system of calculating fixed charges that recover the cost of providing service and fairly apportion costs to each rate component. The rates were developed using cost-based principles and methodologies for establishing water rates, charges and fees contained and discussed in the AWWA M1 Manual. There is no "one-size-fits-all" approach for establishing cost-based water rates, "the (M1 Manual) is aimed at outlining the basic elements involved in water rates and suggesting alternative rules of procedure for formulating rates, thus permitting the exercise of judgment and preference to meet local conditions and requirements."<sup>1</sup>

<sup>1</sup> AWWA Manual M1 Manual, Principles of Water Rates, Fees, and Charges, Sixth Edition, 2012, page 5.

In addition to the City's water rates and finances, the following criteria were used in rate calculation:

1. *Revenue Sufficiency:* Rates recover the annual cost of service and provide revenue stability.
2. *Rate Impact:* Rates are calculated to generate sufficient revenue to cover operating and capital costs and are designed to maximize rate stability.
3. *Equitable:* Rates are fairly allocated among all customer classes based on proportionate demand characteristics.
4. *Practical:* Rates are simple in form and adaptable to changing conditions. Rates are both easy to administer and easy to understand.
5. *Provide Incentive:* Rates provide price signals which serve as indicators to conserve and produce water efficiently.

## 3 WATER UTILITY OVERVIEW

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### 3.1 Water System Overview

The City of Susanville is a general law city incorporated in 1900. The current population according to the City of Susanville 2015 Comprehensive Annual Financial Report is 9,129. The City's Public Works Department is responsible for the maintenance, operation and repair of the City's water distribution system. The water utility serves a number of customers who reside outside of the city limits and, as a result, the utility's service area is not coterminous with the City's boundaries.

The City utilizes two natural springs and four water wells as primary sources of water in addition to water rights along the Susan River as secondary non-potable water sources. Water is treated at all primary sources with a minimal amount of chlorine as a precautionary measure in the event that a contaminant entered the water system. Four water tanks are filled from springs by gravity flow and in irrigation months, water is pumped from wells to meet the demand. There are a number of pressure reducing valves (PRV's) in the system which regulate pressure across seven pressure zones. System pressures, flows, and a variety of other parameters are monitored through a supervisory control and data acquisition (SCADA) program. There are approximately 43.5 miles of pipeline in the City's domestic water system. The water system has mainlines ranging in diameter from 2 inches to 14 inches. There are just under 9 full time equivalent (FTE) staff positions performing the work functions required for the operations and maintenance, billing services, system planning, regulatory compliance, and capital improvement project planning and implementation. There are just under 0.6 full time equivalent staff positions performing administrative functions.

### 3.2 Water Customers

The water utility currently supports approximately 3,807 metered water accounts. **Table 2: 2015 Water Customers** summarizes the number of current accounts by meter size and customer class. Approximately 93% of customers are single family dwellings, 5% are commercial/industrial/irrigation/public agency accounts, and 2% are multi-family residential accounts. The water enterprise has seen an 11% increase in water customer accounts since 2001 as shown in **Figure 1: Historical Water Accounts**.

**Table 2: 2015 Water Customers**

City of Susanville

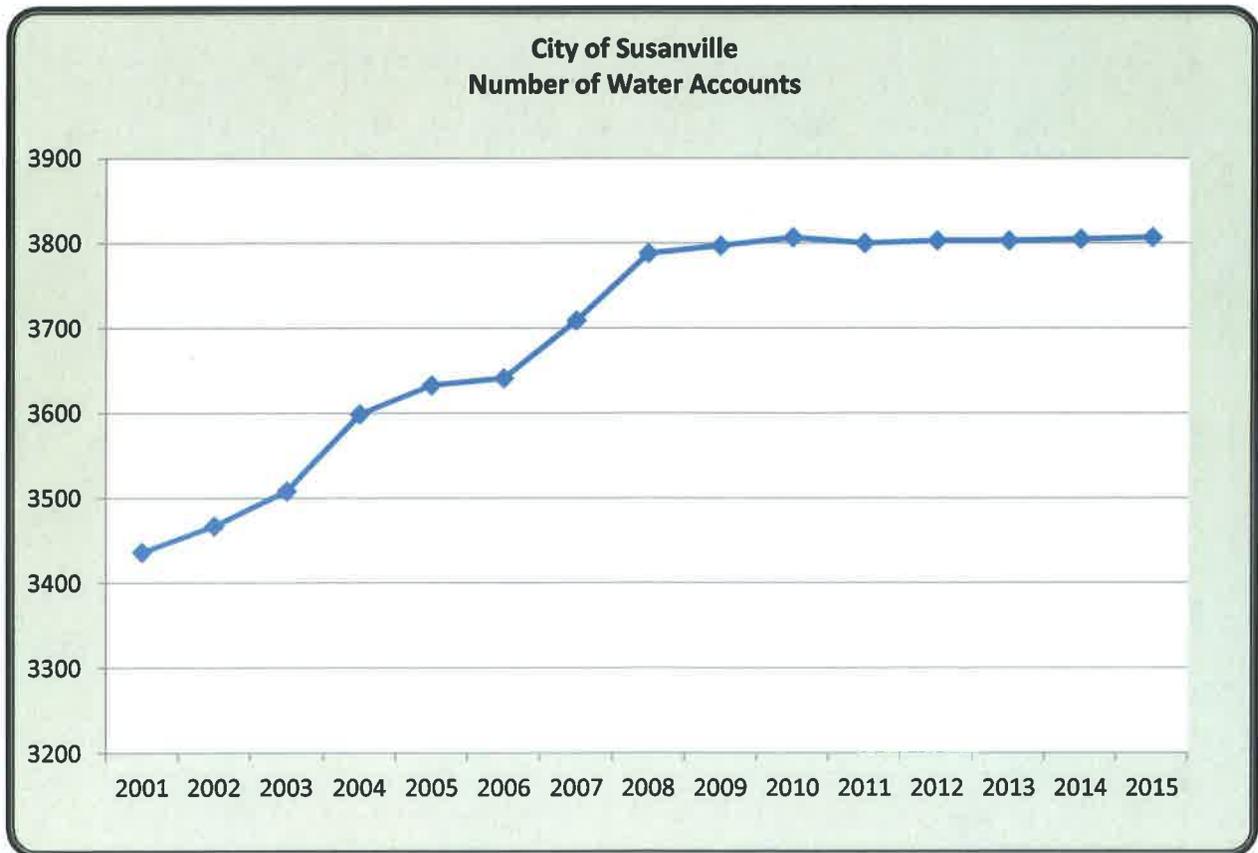
Water Rate Analysis and Calculations 2016

Meter Size	Residential- Single	Residential- Multi	Commercial	Total
5/8" X 3/4"	3,496			3,496
1"	38	21	69	128
1 1/2"	6	7	24	37
2"	4	29	95	128
3"		1	4	5
4"		3	5	8
6"			4	4
8"			1	1
10"				
<b>TOTAL</b>	<b>3,544</b>	<b>61</b>	<b>202</b>	<b>3,807</b>

**Figure 1: Historical Water Accounts**

City of Susanville

Water Rate Analysis and Calculations 2016



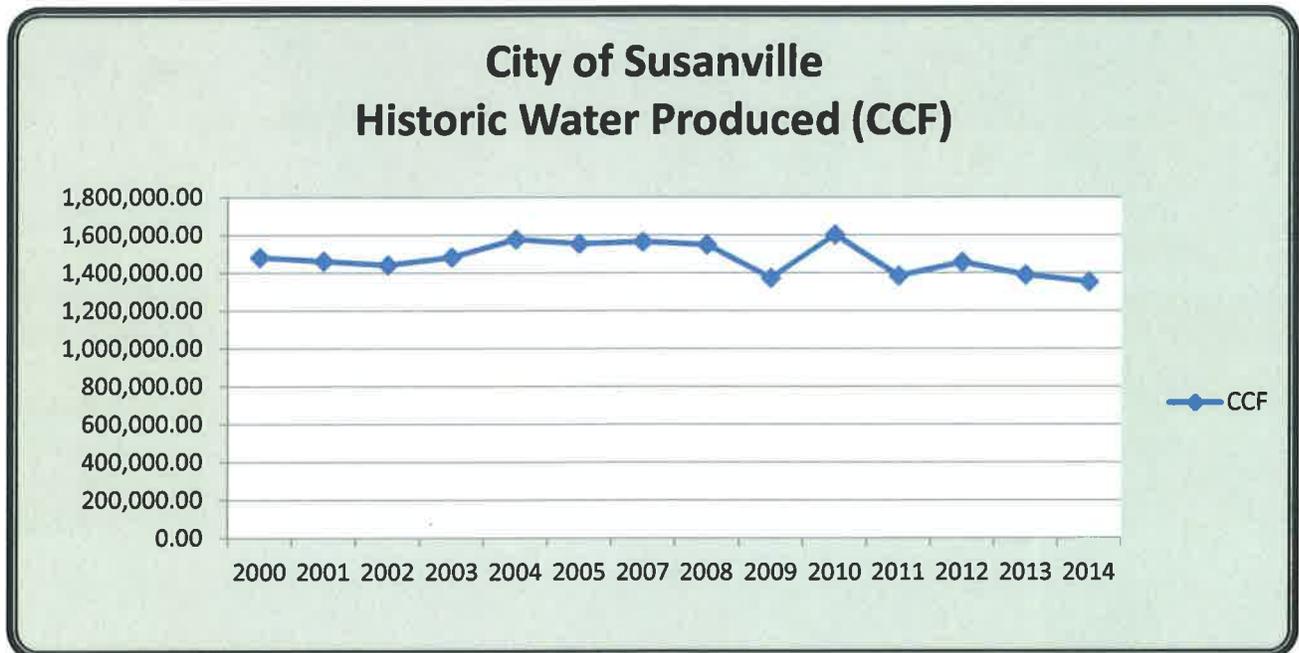
### 3.3 Water Production

**Figure 2. Historical Water Produced** illustrates historical water production for the past 14 years. Compared to prior years, water consumption has declined since 2010. The City measures water production at each water source and reports production in units of 100 cubic feet.

**Figure 2. Historical Water Produced**

City of Susanville

Water Rate Analysis and Calculations 2016



Source: 2010 Susanville Urban Water Management Plan Addendum #1; 2006 data omitted as significant outlier likely caused by a malfunctioning meter at Cady Springs.

#### **Reductions in water production as a result of Executive Order.**

In April 2015, the governor issued Executive Order B-29-15, imposing restrictions to achieve a 25% statewide reduction in potable urban water usage. For the first time in the State’s history, a mandatory conservation of urban potable use was declared. The State Water Board released a proposed regulatory framework for all urban water suppliers that allocated the conservation savings across nine tiers of increasing levels of residential water use to reach the statewide 25% reduction mandate. The City of Susanville was placed in Tier 9, calling for a 36% decrease in use from the base year of 2013. Subsequently, the extension of the emergency regulation has included a provision for Susanville to decrease its conservation standard to 33%. As a result of robust conservation efforts, the City has achieved a 28% reduction in total water production as of February 28, 2016.

## 4 WATER FINANCES AND RATES

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### 4.1 Water Financial Overview

The water enterprise is governed by the City Council and operates under the Direction of the City Administrator with the Public Works Department performing operations and maintenance functions and Administrative Services Department performing billing and various administrative functions. Low production and treatment costs allow the utility to operate much more efficiently than other utilities. There are also multiple areas where economies of scale are realized within the operation of the multiple divisions within Public Works. Areas such as: Equipment maintenance; shared facilities; shared equipment; and staffing resources.

An evaluation of water enterprise finances revealed the following:

- The water enterprise operation fund is currently operating at a deficit. Current and projected operating revenues from water rates do not meet current and projected operating expenses.
- The water enterprise does not have a dedicated operation reserve, it does however have a rate stabilization fund consisting of \$3 million which provides limited, short term security as funds must be replenished within 120 days after the end of the fiscal year. Additional water funds are held in a separate account (7114) but are restricted to infrastructure replacement.
- The City's water rates are currently low when compared to other communities throughout the state. The 2013 California/Nevada Water Rate Study, prepared by the California Water Works Association, compares monthly water charges by county. Of the 45 counties surveyed, 38 have rates higher than Susanville.
- Much of the City's existing water infrastructure has exceeded its projected useful life with the greatest infrastructure need being water main and service line replacement. An estimated 100 million gallons are lost annually to water system leaks. The most urgent infrastructure needs are estimated at \$4.15 million dollars. Infrastructure needs are included in Table 4: **Table 4: Water Capital Improvement Plan/Infrastructure Replacement Plan.**
- The State is in the fourth year of declared drought, although water supplies within the City have not been measurably impacted. The City has worked to be absolved from the oppressive water curtailments however, requests to be placed in a lower conservation tier have not been granted or acknowledged by the Water Board. The City is currently required to achieve 33% reduction in potable water produced.

## 4.2 Historical Financial Performance

As an enterprise fund, the water utility relies primarily on revenues generated from water rates to fund the total cost of providing water service. As a result of limited water revenues, the City has not fully allocated direct and indirect administrative cost to the enterprise, resulting in the City's General Fund providing a subsidy to water operations which is not a desirable practice. The water enterprise is currently not covering its annual operating and capital costs and revenues are not sufficient to pay for annual expenses, resulting in an annual operating deficit.

*Figure 3: Comparison of Revenues and Expenses* and *Table 3: Historical Revenue and Expenses* summarize the financial performance of the water utility since 2011/12 based on the City's Audited Financial Reports.

**Table 3: Historical Revenue and Expenses**

City of Susanville

Water Rate Analysis and Calculations 2016

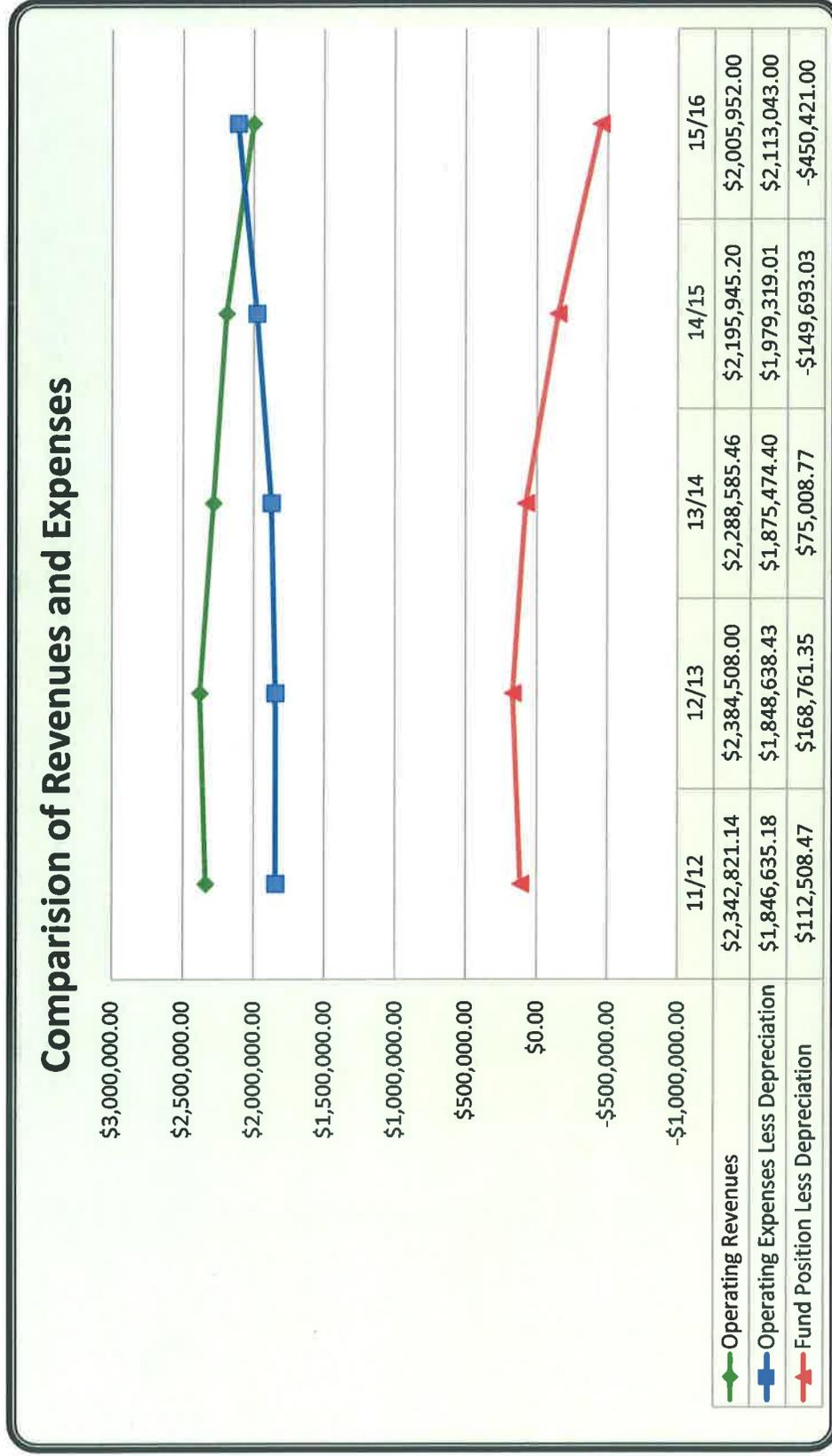
Water Operations Budget		Fiscal Year				
		2011/12	2012/13	2013/14	2014/2015	Budgeted 2015/16
<b>Water Operating Fund - 7110</b>						
<b>Revenues</b>						
Water Sales	\$2,298,656.29	\$2,300,892.38	\$2,230,654.21	\$2,151,957.78	\$1,967,752.00	
<b>Total Operating Revenues</b>	<b>\$2,342,821.14</b>	<b>\$2,384,508.00</b>	<b>\$2,288,585.46</b>	<b>\$2,195,945.20</b>	<b>\$2,005,952.00</b>	
<b>Expenses</b>						
Personnel	\$818,648.79	\$812,196.47	\$861,628.36	\$930,733.53	\$1,073,191.00	
Services and Supplies	\$341,751.56	\$348,338.19	\$328,434.47	\$361,799.01	\$355,125.00	
Depreciation	\$721,520.73	\$686,951.59	\$646,948.00	\$664,868.53	\$616,498.00	
Debt	\$686,234.83	\$688,103.77	\$685,411.57	\$686,786.47	\$684,727.00	
Capital Improvement Program						
<b>Total Operating Expenses</b>	<b>\$2,568,155.91</b>	<b>\$2,535,590.02</b>	<b>\$2,522,422.40</b>	<b>\$2,644,187.54</b>	<b>\$2,729,541.00</b>	
<b>Net Operating Revenue</b>	<b>-\$225,334.77</b>	<b>-\$151,082.02</b>	<b>-\$233,836.94</b>	<b>-\$448,242.34</b>	<b>-\$723,589.00</b>	
<b>Change in Net Position *</b>	<b>-\$450,541.41</b>	<b>-\$601,623.43</b>	<b>-\$835,460.37</b>	<b>-\$1,283,702.71</b>	<b>-\$2,007,291.71</b>	
<b>Operating Expenses Less Depreciation</b>	<b>\$1,846,635.18</b>	<b>\$1,848,638.43</b>	<b>\$1,875,474.40</b>	<b>\$1,979,319.01</b>	<b>\$2,113,043.00</b>	
<b>Fund Position less Depreciation</b>	<b>\$112,508.47</b>	<b>\$168,761.35</b>	<b>\$75,008.77</b>	<b>-\$149,693.03</b>	<b>-\$450,421.00</b>	

\*Change in Net Position is claim on cash fiscal year 2010/2011 (-\$225,206.64) plus net operating revenue each year.

**Figure 3: Comparison of Revenues and Expenses**

City of Susanville

Water Rate Analysis and Calculations 2016



### 4.3 Financial Challenges/Key Drivers of Rate Increases

As utility infrastructure matures, regulations change, and safety needs evolve, so too does the need of water security, monitoring and the implementation and use of required technologies. These changes carry with them additional costs and require vigilance and regular monitoring of operational expenses, identification of operational efficiencies, cost saving measures and rate structure evaluation. Without taking a proactive approach to cost management, the City's water enterprise would face financial challenges which would require the City to raise water rates more aggressively in the future as infrastructure replacement becomes more critical and expensive. Key rate indicators are included and summarized as follows.

#### 4.3.1 Operating Deficit and Fund Reserves

To ensure that the City's water system remains financially stable and operationally sound long into the future, rate adjustments are required to ensure that the water enterprise does not proceed down a path of annual operational deficits. Moreover, onerous restrictions placed on the established \$3 million Rate Stabilization Fund make it an ineffective tool to manage short and medium term declines in revenue resulting from increased levels of precipitation, cooler temperatures and, most significantly, state mandated water curtailment. Creation of an Operating Fund Reserve will be necessary to provide the kind of operational and rate stabilization envisioned by the existing rate stabilization fund however, without the restrictions imposed by bond covenants. This operational reserve fund would be used as a water operations budget reserve and would provide additional short and medium-term stability. The existing Rate Stabilization Fund would only be used in an emergency, where repayment could be made within 120 days of the end of the fiscal year when the funds were borrowed.

#### 4.3.2 Capital Improvements / Replacement of Aging Infrastructure (Depreciation)

Capital Improvements and Depreciation of Aging Infrastructure have been separated for the purpose of this report. In this report, a capital improvement is a new feature or upgrade to the water system; depreciation includes the replacement of infrastructure that has met or exceeded its service life and is in need of replacement. **Table 4: Water Capital Improvement Plan / Infrastructure Replacement** is the proposed 5-year capital improvement plan and represents the City's most critical water main and service line infrastructure needs based on the number of leaks over the years and field assessments.

The City's five-year capital improvement program (CIP) includes \$1.9 million of water system improvements through 2020/21. A need exists to develop a long-range capital improvement plan

over the next five years. The plan would allow for the evaluation of newly envisioned improvements that have the potential to provide increased security, reliability, source and storage that would be ranked and prioritized based on providing the greatest value to the system and users.

**Table 4: Water Capital Improvement/Infrastructure Replacement Plan**

City of Susanville

Water Rate Study 2016

Project	1	2	3	4	5	Total	
	COST ESCALATED FROM 2015 DOLLARS (2%/YEAR)						
	2016/17	2017/18	2018/19	2019/20	2020/21		
<b>CIP</b>	Develop Well (Former Nathan Property)			\$22,030	\$393,890		\$415,920
	Emergency Power Upgrades (Harris Booster, Spring Ridge Booster, Well 3)				\$38,240	\$119,170	\$157,410
<b>INFRASTRUCTURE REPLACEMENT</b>	S Gilman; Main St. to River St.	\$9,330	\$199,500				\$208,830
	Richmond Rd.; Cypress to Riverside Dr.		\$6,370	\$136,250			\$142,620
	Monrovia alley; Covina St. to East End		\$14,590	\$312,370			\$326,960
	Upland Alley; Covina St. to East End		\$9,260	\$198,250			\$207,510
	Paiute Ln; Glenn Dr. north	\$9,080	\$194,360				\$203,440
	N. Pine St.; Burma Rd to View Dr.			\$7,020	\$150,120		\$157,140
	N. Roop St.; North Alley to Willow St.			\$17,540	\$375,330		\$392,870
	Third St; Cedar St. to Park St.	\$10,590	\$226,750				\$237,340
	Third St; Ash to Hall St.	\$5,920	\$126,610				\$132,530
	Park St.; Fifth St. to Fourth St.			\$5,150	\$110,110		\$115,260
	N. Weatherlow; Mark St. to Chestnut St.	\$9,620	\$205,970				\$215,590
	Parkdale Ave; North St. to Willow St.			\$9,440	\$201,940		\$211,380
	Chestnut St.; Park St. 400' East			\$4,570	\$97,750		\$102,320
	Johnstonville Rd; Johnstonville Rd. to Skyline				\$41,300	\$884,480	\$925,780
<b>TOTAL BY YEAR</b>	\$44,540	\$983,410	\$712,620	\$1,408,680	\$1,003,650	\$4,152,900	

## 5 Cost to Provide Service

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### 5.1 Cost to Provide Service

Each year the City evaluates system operational expenses and infrastructure needs and identifies opportunities to reduce cost through efficiency. Extensive analysis is also performed to calculate fair share costs to each customer. This effort is paramount in developing a nexus between the cost of providing service and the rate structure.

In preparing the rate study, staff separated costs based on the following categories:

- Operations and Management
- Water Delivery
- Depreciation
- Capital Improvement
- Conservation Programs
- Debt

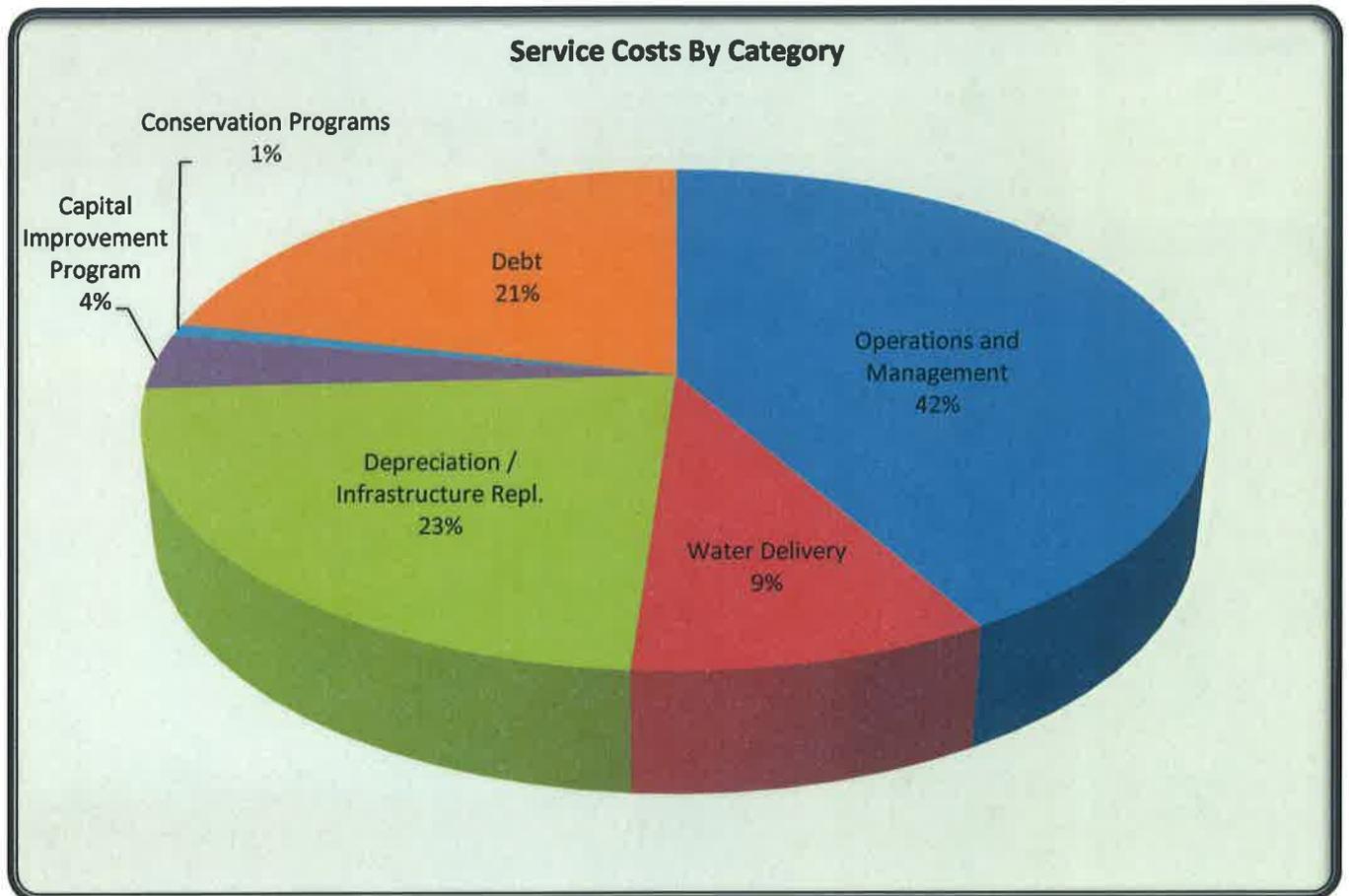
**Table 5: Water Operating Expenses** reflect the results of the analysis. Costs presented have been developed through a detailed and comprehensive analysis of operational and maintenance needs, infrastructure replacement needs, regulatory requirements, and debt obligations over the next five years. Each year has been escalated 2% and the five year average represents the annual cost to provide service. The costs presented are minimally required to provide good stewardship of the City's water enterprise

The following chart shows a 5-year projected average of water enterprise expenses. As shown in **Table 5: Water Operating Expenses**, modest rate increases are needed to keep revenues stable in the short and medium-term and to allow sufficient funding to cover projected expenses and support balanced budgeting.

**Table 5: Water Operating Expenses**  
City of Susanville  
Water Rate Study 2016

SERVICE COSTS	Projected 5-Year Average
Operations and Management	
Personnel	\$ 1,098,563
Services / Supplies	\$ 244,533
Water Delivery	
Services and Supplies	\$ 270,101
System Improvements	\$ 11,700
Equipment Improvements	\$ 14,200
Depreciation	
Infrastructure Replacement	\$ 715,914
Equipment Replacement	\$ 25,000
Capital Improvement Program	\$ 114,666.0
Conservation Programs	\$ 25,000
Debt	
Debt Repayment	\$ 686,979
<b>Annual Cost to Provide Service</b>	<b>\$ 3,206,656</b>

**Figure 4: Operating Expenses**  
City of Susanville  
Water Rate Study 2016



## 5.2 Fixed vs. Variable Cost Recovery

Water utilities use a wide range of approaches or perspectives to allocate and recover the costs of providing service and most commonly consider a combination of fixed and variable charges. The percentage of revenues derived from the fixed and variable charges varies by agency but should be proportional to each system's expenditures and cannot legally exceed the cost of providing service. As the percentage of the rate that is tied to fixed charges decreases, so does revenue stability, resulting in an increased dependence on consumption/sales. In addition, a higher dependence on volumetric revenues or variable revenues can provide greater financial incentive for customers to conserve.

Public agencies have used a wide range of approaches or perspectives for allocating and recovering costs, and industry practices provide flexibility regarding the actual percentages collected from fixed versus variable rates. However, as illustrated in the examples above, a balanced approach is desirable. It is important to note that many of the same costs can reasonably be allocated 100% to fixed revenue recovery, 100% to variable rate recovery or to a combination of the two. Many of the water utility's costs are fixed costs that do not vary with water consumption, such as salaries, benefits, and costs of building and maintaining infrastructure. However, a portion of these fixed costs can reasonably be apportioned to variable, usage-based rate recovery in recognition that a portion of these fixed costs relates to the volumetric water use. For example, a share of the fixed cost of salaries related to water production can reasonably be recovered from usage-based charges as these costs are incurred to provide water supply to meet customer demand.

## 6 WATER RATE DESIGN AND STRUCTURE

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The final step of the water rate study process is the design of water rates that generate sufficient income to meet annual revenue requirements. The evaluation of rate structure options takes into account the need for rate modification, the level of increase or decrease over a set number of years and the structure of the rates. The level of increases refers to the amount of revenue collected from a specific rate design. The rate structure refers to the way in which the revenue collection from customers occurs. The rate development principles and methodology used to develop rates are based on the AWWA M1 Manual and comply with Article X and XIID of the California Constitution.

### 6.1 Base Rate - Fixed Charge Recommendation

Percent of service costs allocated to the base rate is not by formula. Doing so would likely result in a rate where a large percentage of service costs are recovered by the base rate, which neither promotes conservation or fairness to customers who use less water. The goal was to simplify the rate structure modifications, promote conservation, and provide fairness to customers. Therefore, the fixed meter charges or base rates are proposed to remain unchanged.

### 6.2 Quantity Rate - Variable Charge Recommendation

Quantity or variable charges recover system costs that vary based on consumption. These charges may also be labeled volumetric charges, usage rates, consumption charges, block rates, commodity rates, etc. Regardless of the name, all variable charges are based on metered water consumption and levied on a per-unit cost. Conservation in times of water decline is most effectively encouraged through the variable rate component. Some common variable rate structures that promote conservation pricing include uniform block, inclining block rates, water budget or allocation based rates, and seasonal block rates.

### 6.3 Proposed Rate Structure

#### **Base Rate:**

The proposed rate structure maintains the base rate at its current level.

#### **Quantity Rate:**

A key factor in determining the quantity rate is the estimated availability to sell water of the term of the study. State mandated conservation requires the City to reduce its per capita daily water

use 20% by the year 2020. This is measured in terms of potable water produced allowing for reductions to be obtained through means other than conservation on the customer's end. Water system reconfigurations and repairing leaky water mains has put the City well on track toward meeting its conservation requirements. The City is within 0.3% of its 2020 requirement. In addition population growth projections at 0.95% annually (City Housing Element) were considered when analyzing availability to sell water over the next 5 years.

The proposed rate structure includes two quantity rates, one for the irrigation season (April through September), one for the non-irrigation season (October through March). The rates are designed to promote conservation and represent a differentiation of cost in months where water is pumped to meet demand versus months where gravity spring flow is adequate to meet demand.

The proposed rate increase is in the Quantity Rate. Customers choosing to use more water to irrigate landscapes will pay more to do so. The proposed rate modification increases the percentage of revenue that comes from the Quantity Rate. Because the revenue received varies with use, there is an additional risk that projected revenues will not be realized. However, the proposed rate structure is more in line with the industry standard rate making principles (Section 2.2).

**Table 6: Proposed Rate Structure**  
 City of Susanville  
 Water Rate Study 2016

Proposed Rate Structure			
	Total Cost	Cost Split	Percent of Cost
<b>Cost to provide Service</b>	<b>\$3,206,656</b>		
Estimated Fixed Rate Revenue		\$1,173,565	37%
Estimated Variable Rate Revenue		\$2,033,091	63%

Base Rate Fixed	
Meter Size INCH	Rate
5/8 x 3/4	\$23.65
1	\$31.93
1.5	\$41.60
2	\$54.11
3	\$81.37
4	\$124.84
6	\$217.27
8	\$289.69

Quantity Rate - Variable	
Non Irrigation Season (October - March)	\$ 2.15 /CCF
Irrigation Season (April - September)	\$ 2.57 /CCF

## 7 DROUGHT SURCHARGE

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### 7.1 Drought Surcharge Overview

After nearly four consecutive years of below-normal rainfall, many areas in California are experiencing severe drought. In May 2015, the State Water Board adopted an emergency regulation requiring water agencies to conserve at varying levels dependent upon per capita daily water use. Susanville's conservation requirement was set a 36%, the highest conservation requirement.

Susanville, although not significantly impacted by the drought, had an onerous conservation mandate imposed by the regulation. To avoid financial penalties and additional mandates the city called on customers to conserve at historic levels. While the mandated level of conservation (36%) was not attained, conservation efforts were sufficient to avoid financial penalties. As a result of the conservation, the utility saw an approximate 10% decrease in revenues which negatively impacted the Water Operations Budget.

During times of drought or imposed conservation requirements, a water utility has two core objectives: 1) to reduce the amount of water customers consume, and 2) to maintain an adequate amount of revenue to continue operations while paying for extraordinary drought-related expenses. The two competing objectives work against each other as less water sold results in less revenue to cover an agency's costs.

At the request of the State Water Board, this rate study proposes an emergency drought surcharge to promote financial stability during periods of reduced water sales. Drought surcharges are designed to recover lost revenue due to decreased levels of consumption. The emergency drought surcharge would be an additional, separate consumption charge levied on all usage. The City recognizes that ratepayers are already doing their part to conserve. Therefore, applying the drought surcharge to only the consumption charge component gives customers the increased ability to control a portion of their water bills. The surcharge would be charged on a temporary basis and removed when the City determines that water supply conditions have returned to normal, and drought-related costs and revenue reductions have been recovered.

## 7.2 Water Shortage Contingency Plan

As an Urban Water Supplier, the City is required to have a Water Shortage Contingency Plan. A component of the City’s 2010 Urban Water Management Plan, Susanville’s Water Shortage Contingency Plan was implemented in 2014 as required by the State’s emergency water regulation. It was discovered that the City had not previously adopted its Water Shortage Contingency Plan by ordinance, thereby making enforcement of its requirements difficult. The determination made was that there was no automatic mechanism in place to implement a drought surcharge during times of drought. As a component of the adoption of the proposed rate structure, a drought surcharge will be implemented automatically, when the City Council implements a stage of its most current water shortage contingency plan. A three-stage plan with conservation goals set at 0-15%; 16%-25%; and 26%-40% was used for the rate study.

## 7.3 Proposed Drought Surcharge

**Table 7: Drought Surcharge** details the proposed drought surcharge. Drought surcharge developed for Stages 1 through 3 of the Water Shortage Contingency Plan.

**Table 7: Drought Surcharge**

City of Susanville

Water Rate Study 2016

	Stage 1	Stage 2	Stage 3
<b>Required Water Reduction %</b>	<b>Up to 15%</b>	<b>Up to 25%</b>	<b>Up to 40%</b>
<b>PROJECTED CONSUMPTION</b>			
Total Water Consumption (ccf)	703,218	646,960	577,643
Total Reduction in Water Consumption (ccf)	105,483	161,740	231,057
% Reduction from Normal	15%	25%	40%
<b>PROJECTED REVENUE LOSS</b>			
Cost per unit – Irrigation Season	\$2.57	\$2.57	\$2.57
Total Consumption Revenue Loss with Conservation	\$271,257	\$415,927	\$594,181
Drought Surcharge (per ccf)	\$0.39	\$0.64	\$1.03
Drought Rate (per ccf)	\$2.96	\$3.21	\$3.60

Reviewed by: KGH City Administrator  
 \_\_\_\_\_ City Attorney

\_\_\_\_\_ Motion only  
 \_\_\_\_\_ Public Hearing  
X Resolution  
 \_\_\_\_\_ Ordinance  
 \_\_\_\_\_ Information

**Submitted by:** Daniel Gibbs, City Engineer

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** **Resolution No. 16-5275** authorizing the City Council to execute contract with Rapid Construction for the 2016 Water Main Replacement Project 16-04 in the amount of \$402,204 and authorizing Public Works Director to execute change orders not to exceed ten percent

**PRESENTED BY:** Dan Newton, Public Works Director

**SUMMARY:** On February 17, 2016, City Council authorized the advertising of the 2016 Water Main Replacement Project 16-04. The Department has identified additional sections of water main that will benefit from replacement efforts. City staff has prepared plans, specifications and an engineer's estimate for the installation of new 6" PVC water mains in select areas of the City where leaks continue to be problematic and place the system at further risk. The streets identified are included in the street rehabilitation projects that will completed this year. The project also includes needed fittings, isolation valves, fire hydrants, new services and minor repairs to sidewalk and/or meter boxes where needed. The streets proposed as part of this project and include the following:

- Fifth Street from Ash (SR 139) to Spruce Avenue;
- North Union Street from Nevada to North Street;

The project was advertised in the Lassen Times on several occasions for a bid opening date of March 17, 2016. The City Engineer's estimate for the project based on the quantities anticipated and recent unit prices provided with similar projects was \$366,000.00 for the base bid excluding any contingencies. Thus, the lowest responsible bid was 21.55% lower than estimated. Three bidders submitted and the results of the bids are as follows:

Bidder No. 1:	Rapid Construction Inc. - Carson City, NV	Total bid:	\$ 301,103.00
Bidder No. 2:	Dig-It Construction - Chester, CA	Total bid:	\$ 316,742.00
Bidder No. 3:	S.T. Rhoades Construction Inc. - Redding, CA	Total bid:	\$ 330,565.00

Additionally, an additive bid was requested for extending water main on Third Street to extend the 2015 project completed in November.

The results of that additive bid include the results below:

Bidder No. 1:	Rapid Construction Inc. - Carson City, NV	Total bid:	\$ 294,492.00
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Bidder No. 2: Dig-It Construction - Chester, CA	Total bid:	\$ 307,991.00
Bidder No. 3: S.T. Rhoades Construction Inc. - Redding, CA	Total bid:	\$ 297,315.00

The City Engineer's estimate for the project based on the quantities anticipated and recent unit prices provided with similar projects was \$375,000.00 for the base bid excluding any contingencies. Thus, the lowest responsible additive bid was 21.47% below estimates.

All bonds, insurance and permits have yet to be submitted and the contract is, therefore not ready for execution. Work will commence in late April as soon as possible in order to be completed in advance of the City's STIP overlay projects currently under way. The contract has 30 (thirty) working days allotted and should commence in mid-April, weather permitting.

The Contractor will be required to notify all affected property owners and businesses well in advance of any water service interruptions and disruptions to access to their property. As specified in the contract documents, shut-offs and impositions to access are restricted to short windows of time in order to minimize inconvenience to the public.

**FISCAL IMPACT:** City Council adopted Resolution No. 16-5260 authorized funding of the project with the knowledge that the 7114 account balance was in excess of \$648,000. The capital funds for water infrastructure would be reduced by the cost of the project once completed and accepted. With the bids now received, the estimate of the draw down, including 10% allowed for change orders and construction engineering support is still estimated to not exceed this amount unless the Council elects to award parts of the additive portion. Award of the additive portion with contingencies and construction engineering (CE) would increase the overall project costs to approximately \$685,000.

However, Council has the option to award either part of the additive bid with additional costs as follows:

- Third Street from Ash to Hall - \$101,101 plus \$15,165 for a total of \$116,266
- Third Street from Cedar to Park - \$193,391 plus \$29,009 for a total of \$222,400

Therefore, the anticipated drawdown would be either be \$462,534 or \$568,684 respectively with a nominal balance remaining in the 7114 account.

**ACTION REQUESTED:** Motion to adopt Resolution Number 16-5275 that 1) awards Project No. 16-04, 2016 Water Main Replacement Project in the City of Susanville to Rapid Construction inc., the lowest responsible bidder; 2) authorizes the Mayor to execute a contract with Rapid Construction for Project 16-04 in the amount of \$301,103.00 for the base bid and \$101,101 for additives and any authorized change orders once bonds and insurance are provided; and 3) authorizes the Director of Public Works to execute change orders for up to 10% in contingencies.

**ATTACHMENTS:** Resolution No.16-5275  
Bid Results  
Standard Construction Contract

**RESOLUTION NUMBER 16-5275**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE**  
**AUTHORIZING THE CITY COUNCIL TO EXECUTE CONTRACT WITH RAPID**  
**CONSTRUCTION FOR THE 2016 WATER MAIN REPLACEMENT PROJECT 16-04 IN**  
**THE AMOUNT OF \$402,204 AND AUTHORIZING PUBLIC WORKS DIRECTOR TO**  
**EXECUTE CHANGE ORDERS NOT TO EXCEED TEN PERCENT**

**WHEREAS**, the City at the February 17, 2016 Council meeting authorized advertisement, the opening of bids and adequate funding available from the 7114 Capital Project Fund to provide sufficient funds based upon the City Engineer's estimate for certain streets needing water main replaced within them; and

**WHEREAS**, the City has received bids identified as a Capital Improvement fund for projects with the same purpose and scope of replacing the City's water infrastructure; and

**WHEREAS**, the City of Susanville Public Works Department has determined that Rapid Construction inc. has been determined as the lowest responsible bidder and should be given consideration for award in the amount approved in their bid including contingencies; and

**WHEREAS**, the City will receive all necessary and required bonds and insurance to authorize the commencement of construction activities for a period not exceeding thirty (30) working days as defined by the State of California prior to execution of a contract; and

**WHEREAS**, said bonds, insurance to be received shall be in good order along with licensing and satisfactory in order to further pursue execution of a contract between the City and Rapid Construction Inc. for said project; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Susanville as follows:

- 1) Project No. 16-04, 2016 Water Main Replacement Project in the City of Susanville is awarded to Rapid Construction, the lowest responsible bidder.
- 2) The Mayor is authorized to execute a contract for Project 16-04 in the amount of \$402,204.00 upon receipt and acceptance of all bonds and insurance.
- 3) The Director of Public Works may execute change orders up to 10% in contingencies.

APPROVED: \_\_\_\_\_  
Brian R. Wilson, Mayor

ATTEST: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Susanville, held on the 6<sup>th</sup> day of April, 2016, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

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Gwenna MacDonald, City Clerk

APPROVED AS TO FORM:

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Jessica Ryan, City Attorney



**CITY OF SUSANVILLE**  
**DEPARTMENT OF PUBLIC WORKS**

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**BID**  
**FOR**  
**2016 WATER MAIN REPLACEMENT**  
**PROJECT NO. 16-04**  
**IN**  
**SUSANVILLE, CA**

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For use in Conjunction with City of Susanville Standard Drawings, Standard Specifications and Standard Plans of the California Department of Transportation, and the Labor Surcharge and Equipment Rental Rates in effect on the date the work is accomplished.

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**Contract No.**          16-04    

**Bid Opening Date:**     March 17, 2016

(Because some colored inks will not reproduce in copy machines, please use black ink to complete this bid.)

(DO NOT DETACH)

BID TO THE CITY OF SUSANVILLE

DEPARTMENT OF PUBLIC WORKS

CONTRACT NO. - 16-04

NAME OF BIDDER Rapid Construction Inc DBA Rapid General Engineering  
BUSINESS P.O. BOX Po Box 21503  
CITY, STATE, ZIP Carson city NV 89721  
BUSINESS STREET ADDRESS 3072 Research Way #54  
CITY, STATE, ZIP Carson city NV 89706  
(Please include even if P.O. Box used)  
TELEPHONE NO: AREA CODE (775) 883-4269  
FAX NO: AREA CODE (775) 883-4289  
CONTRACTOR LICENSE NO. 982748

The work for which this bid is submitted is for construction in conformance with the special provisions (including the payment of not less than the State general prevailing wage rates or Federal minimum wage rates), the project plans described below, including any addenda thereto, the contract annexed hereto, and also in conformance with the California Department of Transportation Standard Plans, dated May 2010, the Standard Specifications, dated May 2010, and the Labor Surcharge and Equipment Rental Rates in effect on the date the work is accomplished.

The special provisions for the work to be done are dated (Insert advertisement date) and are entitled:

**CITY OF SUSANVILLE  
DEPARTMENT OF PUBLIC WORKS  
NOTICE TO BIDDERS AND SPECIAL PROVISIONS FOR:**

2016 WATER MAIN REPLACEMENT PROJECT

IN

SUSANVILLE, CA

The project plans for the work to be done were approved on February 29, 2016 and are entitled:

**CITY OF SUSANVILLE  
DEPARTMENT OF PUBLIC WORKS  
PROJECT PLANS FOR**

2016 WATER MAIN REPLACEMENT PROJECT

IN

SUSANVILLE, CA

**Bids are to be submitted for the entire work. The amount of the bid for comparison purposes will be the total of all items.** The bidder shall set forth for each unit basis item of work a unit price and a total for the item, and for each lump sum item a total for the item, all in clearly legible figures in the respective spaces provided for that purpose. In the case of unit basis items, the amount set forth under the "Item Total" column shall be the product of the unit price bid and the estimated quantity for the item.

In case of discrepancy between the unit price and the total set forth for a unit basis item, the unit price shall prevail, except as provided in (a) or (b), as follows:

- (a) If the amount set forth as a unit price is unreadable or unclear, or is omitted, or is the same as the amount as the entry in the item total column, then the amount set forth in the item total column for the item shall prevail and shall be divided by the estimated quantity for the item and the price obtained shall be the unit price;
- (b) (Decimal Errors) If the product of the entered unit price and the estimated quantity is exactly off by a factor of ten, one hundred, etc., or one-tenth, or one-hundredth, etc. from the entered total, the discrepancy will be resolved by using the entered unit price or item total, whichever most closely approximates percentage-wise the unit price or item total in the CITY OF SUSANVILLE's Final Estimate of cost.

If both the unit price and the item total are unreadable or unclear, or are omitted, the bid may be deemed irregular. Likewise if the item total for a lump sum item is unreadable or otherwise unclear, or is omitted, the bid may be deemed irregular unless the project being bid has only a single item and a clear, readable total bid is provided.

Symbols such as commas and dollar signs will be ignored and have no mathematical significance in establishing any unit price or item total or lump sums. Written unit prices, item totals and lump sums will be interpreted according to the number of digits and, if applicable, decimal placement. Cents symbols also have no significance in establishing any unit price or item total since all figures are assumed to be expressed in dollars and/or decimal fractions of a dollar. Bids on lump sum items shall be item totals only; if any unit price for a lump sum item is included in a bid and it differs from the item total, the items total shall prevail.

The foregoing provisions for the resolution of specific irregularities cannot be so comprehensive as to cover every omission, inconsistency, error or other irregularity which may occur in a bid. Any situation not specifically provided for will be determined in the discretion of the *CITY OF SUSANVILLE*, and that discretion will be exercised in the manner deemed by the *CITY OF SUSANVILLE* to best protect the public interest in the prompt and economical completion of the work. The decision of the *CITY OF SUSANVILLE* respecting the amount of a bid, or the existence or treatment of an irregularity in a bid, shall be final.

If this bid shall be accepted and the undersigned shall fail to enter into contract and furnish the 2 bonds in the sums required by the State Contract Act, with surety satisfactory to *CITY OF SUSANVILLE* within 8 days, not including Saturdays, Sundays and legal holidays, after the bidder has received notice from *CITY OF SUSANVILLE* that the contract has been awarded, the *CITY OF SUSANVILLE* may, at its option, determine the bidder has abandoned the contract, and thereupon this bid and acceptance thereof shall be null and void and forfeiture of security accompanying bid shall operate and the same shall be property of *CITY OF SUSANVILLE*.

The undersigned, as bidder, declares that the only persons or parties interested in this bid as principals are those named herein; that this bid is made without collusion with any other person, firm, or corporation; that he has carefully examined the location of the proposed work, the annexed proposed form of contract, and the plans therein referred to; and he proposes, and agrees if this bid is accepted, that he will contract with the *CITY OF SUSANVILLE*, in the form of the copy of the contract annexed hereto, to provide all necessary machinery, tools, apparatus and other means of construction, and to do all the work and furnish all the materials specified in the contract, in the manner and time therein prescribed, and according to the requirements of the Engineer as therein set forth, and that he will take in full payment therefore the following prices, to wit:

**BID SCHEDULE**

TO: THE HONORABLE MAYOR AND MEMBERS OF THE COUNCIL OF SUSANVILLE

In compliance with the annexed Notice to Bidders, the undersigned proposes and agrees to perform all the work and improvements therein described, and to furnish all labor, material, equipment and incident insurance necessary therefore, in accordance with the Plans and Specifications therefore which are on file in the Office of the City Representative of the City of Susanville; and the undersigned agrees to perform the work and improvements therein mentioned to the satisfaction of and under the supervision of the City of Susanville duly appointed representative; and further agrees to enter into a Contract therefore in the time, form and manner provided by law at the following prices with the understanding that the time within which the aforementioned work must be completed by the undersigned within:

**30 WORKING DAYS**

**Note: PRICING PROVIDED BY THE CONTRACTOR FOR ALL BID ITEMS SHALL BE REPRESENTED AS BEING FOR THE PROVISION OF ALL REQUIRED MATERIAL (COMPLETE AND IN PLACE), ANY & ALL MEN AND EQUIPMENT NEEDED TO INSTALL FACILITIES AND MAKE POTABLE CONNECTIONS (TEMPORARY OR OTHERWISE) PER THE PROJECT SPECIFICATIONS, CITY STANDARDS AND STATE REGULATIONS WHICHEVER IS MOST CURRENT. THIS INCLUDES ADMINISTRATIVE, OFFICE, VEHICLES, OVERHEAD, AND PROFIT. THIS INCLUDES INSURANCE(S), ALL BONDS, ANY APPLICABLE TAXES AND FEES.**

**THE ENGINEER'S ESTIMATE FOR THE BASE BID PROJECT IS: = \$ 366,000**

BASE BID (Fifth Street): \$ 224,422.00  
BASE BID (N. Union Street): \$ 76,681.00

**TOTAL BASE BIDS = \$ 301,103.00**

**THE ENGINEER'S ESTIMATE FOR THE ADDITIVE PROJECT IS: = \$ 375,000**

ADDITIVE BID (Third Street, Ash to Hall): \$ 193,391.00  
ADDITIVE BID (Third Street, Cedar to Park): \$ 101,101.00

**TOTAL ADDITIVE BIDS = \$ 294,492.00**

BASE BID (Fifth Street):

NO.	ITEM	UNIT	QTY	UNIT PRICE	TOTAL PRICE
1	MOBILIZATION / DEMOBILIZATION (2.5% max)	LS	1	4,500.00	4,500.00
2	PREPARE & IMPLEMENT TRAFFIC CONTROL PLAN (1% max)	LS	1	1,500.00	1,500.00
3	PREPARE & IMPLEMENT DUST CONTROL PLAN	LS	1	1,000.00	1,000.00
4	PREPARE & IMPLEMENT SWPPP PLAN	LS	1	2,000.00	2,000.00
5	6" C900 PVC WATER MAIN CL235 w/CLII BASE ROCK TRENCH BACKFILL	LF	820	75.00	61,500.00
6	6" FIRE HYDRANT PER CITY STANDARD	EA	3	6,500.00	19,500.00
7	6" VALVES/VAULT, COMPLETE & IN PLACE	EA	9	1,200.00	10,800.00
8	MISC. ABANDONMENTS, CONNECTIONS, FITTINGS, & TIE-INS	LS	1	28,457.00	28,457.00
9	THRUST BLOCKING PER CITY STANDARD,	EA	9	175.00	1,575.00
10	SLURRY BACKFILL, 2 SACK CEMENT	LF	820	24.00	19,680.00
11	1" WATER SERVICE LATERAL w/ BOX & LID	EA	20	3,500.00	70,000.00
12	WATER MAIN TRENCH REPAIR - MISC. HOT MIX ASPHALT	LF	0	—	—
13	SERVICE LATERAL TRENCH REPAIR - MISC. COLD MIX ASPHALT	LF	0	—	—
14	MISC. PCC SIDEWALK PER CITY STD.	SF	330	20.00	6,600.00
15	CLEARING & GRUBBING	LS	1	1,000.00	1,000.00
16	DEDUCT FOR REMOVAL OF BASE ROCK & COMPACTION FROM CONTRACT WHERE SLURRY TRENCH BACKFILL USED	LF	820	(4.50)	(3,690.00)
TOTAL BASE BID (Items 1-16). Indicate Bid Price in words:				TOTAL:	
<p><u>Two Hundred Twenty Four Thousand Four Hundred twenty Two Dollars <sup>00</sup>/cents</u>                  In case of a discrepancy between words and figures, the words shall prevail.</p>				<p>\$ <u>224,422.00</u></p>	

BASE BID (N. Union Street):

NO.	ITEM	UNIT	QTY	UNIT PRICE	TOTAL PRICE
1	MOBILIZATION / DEMOBILIZATION (2.5% max)	LS	1	1625.00	1625.00
2	PREPARE & IMPLEMENT TRAFFIC CONTROL PLAN (1% max)	LS	1	600.00	600.00
3	PREPARE & IMPLEMENT DUST CONTROL PLAN	LS	1	500.00	500.00
4	PREPARE & IMPLEMENT SWPPP PLAN	LS	1	1,000.00	1,000.00
5	6" C900 PVC WATER MAIN CL 235 w/CLII BASE ROCK TRENCH BACKFILL	LF	350	75.00	26,250.00
6	6" FIRE HYDRANT PER CITY STANDARD	EA	0	—	—
7	6" VALVES & VAULT, TYPE	EA	4	1,200.00	4,800.00
8	MISC. ABANDONMENTS, CONNECTIONS, FITTINGS, & TIE-INS	LS	1	8,256.00	8,256.00
9	THRUST BLOCKING PER CITY STANDARD,	EA	3	175.00	525.00
10	SLURRY BACKFILL, 2 SACK CEMENT	LF	350	24.00	8,400.00
11	1" WATER SERVICE LATERAL w/ BOX & LID	EA	7	3,500.00	24,500.00
12	WATER MAIN TRENCH REPAIR - MISC. HOT MIX ASPHALT	LF	0	—	—
13	SERVICE LATERAL TRENCH REPAIR - MISC. COLD MIX ASPHALT	LF	0	—	—
14	MISC. PORTLAND CONCRETE SIDEWALK PER CITY STANDARD	SF	40	20.00	800.00
15	CLEARING & GRUBBING	LS	1	1,000.00	1,000.00
16	DEDUCT FOR REMOVAL OF BASE ROCK & COMPACTION WHERE SLURRY TRENCH BACKFILL USED	LF	350	(4.50)	(1,575.00)
TOTAL BASE BID (Items 1-16). Indicate Bid Price in words:				TOTAL:	
<p>Seventy Six Thousand Six Hundred Eighty One Dollars <sup>09</sup>cents</p> <p>In case of a discrepancy between words and figures, the words shall prevail.</p>				<p>\$ 76,681.00</p>	

ADDITIVE BID (Third Street – Cedar to Park):

NO.	ITEM	UNIT	QTY	UNIT PRICE	TOTAL PRICE
1	MOBILIZATION/DEMOBILIZATION (2.5% max)	LS	1	2,500.00	2,500.00
2	PREPARE & IMPLEMENT TRAFFIC CONTROL PLAN (1% max)	LS	1	600.00	600.00
3	PREPARE & IMPLEMENT DUST CONTROL PLAN	LS	1	500.00	500.00
4	PREPARE & IMPLEMENT SWPPP PLAN	LS	1	1,000.00	1,000.00
5	6" C900 PVC WATER MAIN CL 235 w/CLII BASE ROCK TRENCH BACKFILL	LF	660	75.00	49,500.00
6	6" FIRE HYDRANT PER CITY STANDARD	EA	0	—	—
7	6" VALVES & VAULT, TYPE	EA	0	—	—
8	MISC. ABANDONMENTS, CONNECTIONS, FITTINGS, & TIE-INS	LS	1	6,546.00	6,546.00
9	THRUST BLOCKING PER CITY STANDARD,	EA	0	—	—
10	SLURRY BACKFILL, 2 SACK CEMENT	LF	660	24.00	15,840.00
11	1" WATER SERVICE LATERAL w/ BOX & LID	EA	19	3,500.00	66,500.00
12	WATER MAIN TRENCH REPAIR - MISC. HOT MIX ASPHALT	LF	660	45.00	29,700.00
13	SERVICE LATERAL TRENCH REPAIR - MISC. COLD MIX ASPHALT	LF	335	45.00	15,075.00
14	MISC. PORTLAND CONCRETE SIDEWALK PER CITY STANDARD	SF	380	20.00	7,600.00
15	CLEARING & GRUBBING	LS	1	1,000.00	1,000.00
16	DEDUCT FOR REMOVAL OF BASE ROCK & COMPACTION WHERE SLURRY TRENCH BACKFILL USED	LF	660	(4.50)	(2,970.00)
TOTAL ADDITIVE BID (Items 1-16). Indicate Bid Price in words:				TOTAL:	
<p><sup>Hundred</sup>  <del>One Thousand</del> Ninety Three Thousand Three  Hundred ninety one Dollars <sup>00</sup>/<sub>cents</sub></p> <p>In case of a discrepancy between words and figures, the words shall prevail.</p>				<p>\$ 193,391.00</p>	

ADDITIVE BID (Third Street - Ash to Hall):

NO.	ITEM	UNIT	QTY	UNIT PRICE	TOTAL PRICE
1	MOBILIZATION / DEMOBILIZATION (2.5% max)	LS	1	1,200.00	1,200.00
2	PREPARE & IMPLEMENT TRAFFIC CONTROL PLAN (1% max)	LS	1	600.00	600.00
3	PREPARE & IMPLEMENT DUST CONTROL PLAN	LS	1	500.00	500.00
4	PREPARE & IMPLEMENT SWPPP PLAN	LS	1	1,000.00	1,000.00
5	6" C900 PVC WATER MAIN CL 235 w/CLII BASE ROCK TRENCH BACKFILL	LF	400	75.00	30,000.00
6	6" FIRE HYDRANT PER CITY STANDARD	EA	0	—	—
7	6" VALVES & VAULT, TYPE	EA	2	1,200.00	2,400.00
8	MISC. ABANDONMENTS, CONNECTIONS, FITTINGS, & TIE-INS	LS	1	3,501.00	3,501.00
9	THRUST BLOCKING PER CITY STANDARD,	EA	1	175.00	175.00
10	SLURRY BACKFILL, 2 SACK CEMENT	LF	400	24.00	9,600.00
11	1" WATER SERVICE LATERAL w/ BOX & LID	EA	13	3,500.00	45,500.00
12	WATER MAIN TRENCH REPAIR - MISC. HOT MIX ASPHALT	LF	0	—	—
13	SERVICE LATERAL TRENCH REPAIR - MISC. COLD MIX ASPHALT	LF	0	—	—
14	MISC. PORTLAND CONCRETE SIDEWALK PER CITY STANDARD	SF	380	20.00	7,600.00
15	CLEARING & GRUBBING	LS	1	825.00	825.00
16	DEDUCT FOR REMOVAL OF BASE ROCK & COMPACTION WHERE SLURRY TRENCH BACKFILL USED	LF	400	(4.50)	(1,800.00)
TOTAL ADDITIVE BID (Items 1-16). Indicate Bid Price in words:				TOTAL:	
<p>One Hundred and one Thousand one Hundred and one Dollars <sup>00</sup>/<sub>cents</sub></p> <p>In case of a discrepancy between words and figures, the words shall prevail.</p>				<p>\$ 101,101.00</p>	

Accompanying this Bid is Bidders Bond

(NOTICE: INSERT THE WORDS "CASH (\$ \_\_\_\_\_)," "CASHIER'S CHECK," "CERTIFIED CHECK," OR "BIDDER'S BOND," AS THE CASE MAY BE.)

in amount equal to at least ten percent of the total of the bid.

The names of all persons interested in the foregoing bid as principals are as follows:

**IMPORTANT NOTICE**

*If bidder or other interested person is a corporation, state legal name of corporation, also names of the president, secretary, treasurer, and manager thereof; if a co-partnership, state true name of firm, also names of all individual copartners composing firm; if bidder or other interested person is an individual, state first and last names in full.*

Rapid Construction INC  
Danny Selmi - President      Randy Selmi - U P  
Perry Burch - Sec/treasurer

Licensed in conformance with an act providing for the registration of Contractors,

License No. 982748      Classification(s) A

**ADDENDA** - This Bid is submitted with respect to the changes to the contract included in addenda number/s:

Ø

*(Fill in addenda numbers if addenda have been received and insert, in this Bid, any Engineer's Estimate sheets that were received as part of the addenda.)*

By my signature on this bid I certify, under penalty of perjury under the laws of the State of California, that the foregoing questionnaire and statements of Public Contract Code Sections 10162, 10232 and 10285.1 are true and correct and that the bidder has complied with the requirements of Section 8103 of the Fair Employment and Housing Commission Regulations (Chapter 5, Title 2 of the California Administrative Code). By my signature on this Bid I further certify, under penalty of perjury under the laws of the State of California and the United States of America, that the Noncollusion Affidavit required by Title 23 United States Code, Section 112 and Public Contract Code Section 7106; and the Title 49 Code of Federal Regulations, Part 29 Debarment and Suspension Certification are true and correct.

Date: 3/17/16





Danny Selmi  
President

Signature and Title of Bidder

Business Address 3072 Research #54 Carson City NV

Place of Business 3072 Research #54 Carson City NV

Place of Residence Dargton NV

LIST OF SUBCONTRACTORS

1. Name: TCG Item No(s) 4  
Address: 1650 N Lincoln St Dixon, IL Tel: (707) 693-1924  
Dollar Amount & Percent of Total Bid: \$ 18,000 ( 25% )
  
2. Name: TK Transportation Inc Item No(s) 5-11  
Address: Po Box 473 Yreka CA Tel: (805) 501-2693  
Dollar Amount & Percent of Total Bid: \$ 15,000 ( 5% )
  
3. Name: \_\_\_\_\_ Item No(s) \_\_\_\_\_  
Address: \_\_\_\_\_ Tel: ( ) \_\_\_\_\_  
Dollar Amount & Percent of Total Bid: \$ \_\_\_\_\_ ( % )
  
4. Name: \_\_\_\_\_ Item No(s) \_\_\_\_\_  
Address: \_\_\_\_\_ Tel: ( ) \_\_\_\_\_  
Dollar Amount & Percent of Total Bid: \$ \_\_\_\_\_ ( % )
  
5. Name: \_\_\_\_\_ Item No(s) \_\_\_\_\_  
Address: \_\_\_\_\_ Tel: ( ) \_\_\_\_\_  
Dollar Amount & Percent of Total Bid: \$ \_\_\_\_\_ ( % )

**(THE BIDDER'S EXECUTION ON THE SIGNATURE PORTION OF THIS BID SHALL ALSO CONSTITUTE AN ENDORSEMENT AND EXECUTION OF THOSE CERTIFICATIONS WHICH ARE A PART OF THIS BID)**

**AGREEMENT**

**CITY OF SUSANVILLE  
DEPARTMENT OF PUBLIC WORKS**

**CONTRACT NO. 16-04**

THIS AGREEMENT, made and concluded, in duplicate, this 6<sup>th</sup> day of April, 2016 between the City of Susanville thereof, (herein after referred to as "City"), and RaPid Construction Inc., Carson City, Nevada as the Contractor, (herein after referred to as "Contractor").

**ARTICLE I.--WITNESSETH**, That for and in consideration of the payments and agreements hereinafter mentioned, to be made and performed by the Contractor, and under the conditions expressed in the two (2) bonds, bearing even date with these presents, and hereunto annexed, the Contractor agrees with the City, at his own proper cost and expense, to do all the work and furnish all the materials, necessary to construct and complete in a good, workmanlike and substantial manner and to the satisfaction of the City, the work described in the project specifications and the project plans described below, including any addenda thereto, which said project specifications, project plans, are hereby specially referred to and by such reference made a part hereof.

The project plans and specifications for the work to be done are dated February 2016 and are entitled:

CITY OF SUSANVILLE;  
DEPARTMENT OF PUBLIC WORKS

**Specifications for: 2016 WATER MAIN REPLACEMENT PROJECT**  
And  
**Project Plans for: 2016 WATER MAIN REPLACEMENT PROJECT**

IN THE CITY OF  
SUSANVILLE, CA

**ARTICLE II.--**The City hereby promises and agrees with the said Contractor to employ, and does hereby employ, the said Contractor to provide the materials and to do the work according to the terms and conditions herein contained and referred to, for the prices hereinafter set forth, and hereby contracts to pay the same at the time, in the manner and upon the conditions herein set forth; and the said parties for themselves, their heirs, executors, administrators, successors and assigns, do hereby agree to the full performance of the covenants herein contained.

**ARTICLE III.--**The State general prevailing wage rates determined by the Director of Industrial Relations are hereby made a part of this contract. It is further expressly agreed by and between the parties hereto that should there be any conflict between the terms of this instrument and the bid or bid of said Contractor, then this instrument shall control and nothing herein shall be considered as an acceptance of the said terms of said bid conflicting herewith.

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

**ARTICLE V.--**As Contractor I agree to commence the work required by the Contract Documents within 15 Calendar Days after the date of the Notice to Proceed and will complete the same within **Thirty(30) Working Days** unless the period of completion is extended otherwise by the Contract Documents.

**ARTICLE VII.--**As Contractor I agree to receive and accept the following prices (bid schedule attached) as full compensation for furnishing all materials and for doing all the work contemplated and embraced in this agreement; also for all loss or damage, arising out of the nature of the work aforesaid, or from the action of the elements, or from any unforeseen difficulties or obstructions which may arise or be encountered in the prosecution of the work until its acceptance by the CITY OF SUSANVILLE, DEPARTMENT OF PUBLIC WORKS, and for all risks of every description connected with the work; also for all expenses incurred by or in consequence of the suspension or discontinuance of work and for well and faithfully completing the work, and the whole thereof, in the manner and according to the plans and specifications, and the requirements of the City Engineer under them, to wit:

**CITY OF SUSANVILLE**

(SEAL)

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

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

Name : \_\_\_\_\_

Title : \_\_\_\_\_

**ATTEST:**

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

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

Name : \_\_\_\_\_

Title : \_\_\_\_\_

**APPROVED AS TO FORM:**

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

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

Name : \_\_\_\_\_

Title : \_\_\_\_\_

**CONTRACTOR**

(SEAL - if a corporation)

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

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

Name : \_\_\_\_\_

Title : \_\_\_\_\_

**ATTEST:**

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

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

Name : \_\_\_\_\_

Title : \_\_\_\_\_

Attachment - Bid Schedule

Reviewed by:         City Administrator  
    City Attorney

- Motion only
- Public Hearing
- X Resolution
- Ordinance
- Information

**Submitted By:** Heidi Whitlock, Assistant to the City Administrator

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** Resolution No. 16-5276, 16-5277 and 16-5278 terminating the Airport Hangar Commercial Land Leases for Lots #3, #4 and #9 with Mountain Life Flight and authorizing the execution of Airport Hangar Land Lease Agreements for Hangar #3, #4 and #9 with Brad Reger.

**PRESENTED BY:** Jared G. Hancock, City Administrator

**SUMMARY:** In February 2016, the City received notification that Mountain Life Flight was no longer conducting business out of Hangars #3, #4 or #9. The owner, Brad Reger, stated at this time he intends to keep the hangars but due to the fact that he is no longer conducting business at the airport, it is recommended that the Commercial Leases be converted to Private Land Lease Agreements for Hangars #3, #4 and #9. Mr. Reger intends to sublease Hangar #9 to Phi Air Medical, LLC.

**FISCAL IMPACT:** Annual revenue for Hangar's #3, #4 and #9 totaling \$3,731.89.

**ACTION**

**REQUESTED:** Motion to approve Resolution No. 16-5276, 16-5277 and 16-5278 terminating Airport Hangar Commercial Land Lease Agreement, Lot #3, #4 and #9 with Mountain Life Flight and authorizing execution of Private Airport Hangar Land Lease Agreements for Lot #3, #4 and #9 with Brad Reger, owner.

**ATTACHMENTS:** Resolution No. 16-5276, 16-5277 & 16-5278  
Airport Hangar Private Land Lease Agreements for Hangar Owned by Lessee, Lot #3, #4 and #9 executed with Brad Reger.

**RESOLUTION NUMBER 16-5276**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE**  
**TERMINATING AIRPORT HANGAR COMMERCIAL LAND LEASE AGREEMENT,**  
**LOT #3 WITH MOUNTAIN LIFE FLIGHT AND AUTHORIZING MAYOR TO**  
**EXECUTE AN AIRPORT HANGAR PRIVATE LAND LEASE AGREEMENT, LOT #3**  
**WITH BRAD REGER**

**WHEREAS**, Mountain Life Flight has ceased conducting operations at the Susanville Municipal Airport as of October 2015; and

**WHEREAS**, Brad Reger was the owner of the business known as Mountain Life Flight and remains the owner of Hangar #3; and

**WHEREAS**, the lack of commercial business activity has resulted in the need to terminate the Airport Hangar Commercial Land Lease Agreement, Lot #3 held by Mountain Life Flight and execute a new Airport Hangar Private Land Lease Agreement, Lot #3 with Brad Reger.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Susanville authorizes the following:

1. That the Airport Hangar Commercial Land Lease Agreement, Lot #3 held by Mountain Life Flight is hereby terminated; and
2. That Brad Reger has executed an Airport Hangar Private Land Lease Agreement, Lot #3 as required.

APPROVED: \_\_\_\_\_  
Brian R. Wilson, Mayor

ATTEST: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Susanville, held on the 6th day of April, 2016, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

APPROVED AS TO FORM: \_\_\_\_\_

Jessica Ryan, City Attorney

**RESOLUTION NUMBER 16-5277**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE**  
**TERMINATING AIRPORT HANGAR COMMERCIAL LAND LEASE AGREEMENT,**  
**LOT #4 WITH MOUNTAIN LIFE FLIGHT AND AUTHORIZING MAYOR TO**  
**EXECUTE AN AIRPORT HANGAR PRIVATE LAND LEASE AGREEMENT, LOT #4**  
**WITH BRAD REGER**

**WHEREAS**, Mountain Life Flight has ceased conducting operations at the Susanville Municipal Airport as of October 2015; and

**WHEREAS**, Brad Reger was the owner of the business known as Mountain Life Flight and remains the owner of Hangar #4; and

**WHEREAS**, the lack of commercial business activity has resulted in the need to terminate the Airport Hangar Commercial Land Lease Agreement, Lot #4 held by Mountain Life Flight and execute a new Airport Hangar Private Land Lease Agreement, Lot #4 with Brad Reger.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Susanville authorizes the following:

1. That the Airport Hangar Commercial Land Lease Agreement, Lot #4 held by Mountain Life Flight is hereby terminated; and
2. That Brad Reger has executed an Airport Hangar Private Land Lease Agreement, Lot #4 as required.

APPROVED: \_\_\_\_\_  
Brian R. Wilson, Mayor

ATTEST: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Susanville, held on the 6th day of April, 2016, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

APPROVED AS TO FORM: \_\_\_\_\_

Jessica Ryan, City Attorney

**RESOLUTION NUMBER 16-5278**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE  
TERMINATING AIRPORT HANGAR COMMERCIAL LAND LEASE AGREEMENT,  
LOT #9 WITH MOUNTAIN LIFE FLIGHT AND AUTHORIZING MAYOR TO  
EXECUTE AN AIRPORT HANGAR PRIVATE LAND LEASE AGREEMENT, LOT #9  
WITH BRAD REGER**

**WHEREAS**, Mountain Life Flight has ceased conducting operations at the Susanville Municipal Airport as of October 2015; and

**WHEREAS**, Brad Reger was the owner of the business known as Mountain Life Flight and remains the owner of Hangar #9; and

**WHEREAS**, the lack of commercial business activity has resulted in the need to terminate the Airport Hangar Commercial Land Lease Agreement, Lot #9 held by Mountain Life Flight and execute a new Airport Hangar Private Land Lease Agreement, Lot #9 with Brad Reger.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Susanville authorizes the following:

1. That the Airport Hangar Commercial Land Lease Agreement, Lot #9 held by Mountain Life Flight is hereby terminated; and
2. That Brad Reger has executed an Airport Hangar Private Land Lease Agreement, Lot #9 as required.

APPROVED: \_\_\_\_\_  
Brian R. Wilson, Mayor

ATTEST: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Susanville, held on the 6th day of April, 2016, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

APPROVED AS TO FORM: \_\_\_\_\_

Jessica Ryan, City Attorney

**AIRPORT HANGAR LAND LEASE AGREEMENT  
HANGAR OWNED BY LESSEE**

THIS LEASE, made this \_\_\_\_\_ day of \_\_\_\_\_ 2016, between the CITY OF SUSANVILLE, a municipal corporation, organized and existing under the laws of the State of California, hereinafter referred to as "Lessor", and Brad Reger, address: P.O. Box 1149 Susanville, CA 96130, County of Lassen, state of California, hereinafter referred to as "Lessee", on the following terms and conditions:

1. Lessor does hereby lease to Lessee, for a term of twenty (20) years from the date hereof, unless sooner terminated as set forth herein, a certain parcel of land described as Hangar Lot # 3, hereinafter referred to as the "Leased Premises", located at the Susanville Municipal Airport and legally described as follows:

SEE EXHIBIT "A" ATTACHED HERETO

(a) Lessee shall provide a hangar building plan for approval prior to any Lease execution for use as an airplane hangar. The rent shall be \$.299077261 per square foot per year, for the area including the space occupied by the hangar only which rent is payable in twelve (12) equal installments monthly in advance on the first day of each and every month; or paid in full within thirty (30) days of annual billing. Said rent shall be increased on an annual basis as set forth below.

(b) Commencing on July 1 following the commencement date of this lease agreement, and continuing each year thereafter ("the Rent Adjustment Date") the rent set forth in Section 1(a) above shall be subject to adjustment as follows: The Consumer Price Index for All Urban Consumers, West Region, for West City Classes B/C, published by the Bureau of Labor Statistics, United States Department of Labor for all items ("index") in effect on January 1, 2005 shall be the Base Index. For each Rent Adjustment Date, the Index in effect immediately before that Rent Adjustment Date ("the Adjustment Index") shall be used for purposes of calculating the amount of adjustment, if any. If the Adjustment Index has increased over the Base Index, the rent payable for the following year and until the next Rent Adjustment Date shall be increased by the same percentage as the Adjustment Index bears to the Base Index.

(c) In no event shall the monthly rent be decreased below the amount specified under Section 2.01(a).

(d) If the Consumer Price Index, as now constituted, compiled, and published, shall cease to be compiled and published during the term of this lease, or is calculated on a significantly different basis following the date of this lease, the most comprehensive official Index published that most closely approximates the rate of inflation shall be used for purposes of computing adjustments under this lease. City's determination as to which official Index to then use shall be final and binding on Lessee.

(e) Any rent due for the portion of the month this Lease commences shall be prorated for that month. Lessee is granted the unlimited lawful right of ingress and egress from the Leased Premises. Lessor hereby reserves a utility easement, including but not limited to, the right to construct, install, place and maintain utility lines for all customary utility services under, over, across, and through the Leased Premises at such locations as Lessor shall require.

2. Lessee shall use the hangar for the storage of one or more aircraft owned or leased by Lessee and shall not sublease the space for storing any property other than aircraft and that aircraft's related personal property. Lessee is allowed to store aircraft owned by Lessee in the airplane hangar, and Lessee's use of the hangar shall be for storage of Lessee's aircraft. In the event Lessee desires to sublease any part of the hangar not otherwise used by Lessee for storage of Lessee's aircraft, then Lessee must obtain the written permission of Lessor to do so and said sub lessee will be required to provide insurance as specified herein. In the event of such sublease, the sublease shall be limited to storage of the sub lessee's aircraft, and personal property related

to said aircraft; Lessee shall pay to Lessor as additional rent an amount equal to twenty percent (20%) of the amount charged by Lessee to Lessee's sub lessee, or \$20.00, whichever is greater. Lessee is prohibited from subleasing the entire hangar for storage of aircraft owned by others. If any provisions of this paragraph 2 are violated, Lessee shall forfeit this Lease. Lessee may, however, store Lessee's aircraft-related personal property in the hangar; provided, however, that Lessee is in fact storing aircraft in the hangar and the storage of Lessee's aircraft-related personal property does not interfere with the storage of such aircraft nor with the ingress and egress of such aircraft to and from the hangar. Lessee shall not conduct any commercial or business activity on the Leased Premises. Lessor shall be notified in writing requesting Lessor's approval in the event Lessee desires to enter into a sublease.

3. Lessee hereby agrees that should Lessee desire to sell Lessee's interest hereunder and the improvements on said Leased Premises, Lessee shall first submit an offer in writing to Lessor to sell said Leased Premises and improvements to Lessor for the same amount as any bona fide offer received by Lessee in connection therewith, or for the fair market value, as the case may be. Lessee's written offer to Lessor shall be submitted to the City Clerk of the City of Susanville, at least fifteen (15) days prior to a regularly scheduled meeting of the City Council of the City of Susanville, and the City Council shall have thirty (30) days after said meeting within which to accept or reject the offer. In the event that the City Council does not act within that period of time, the offer will be deemed rejected. Should Lessor reject the offer, Lessee may sell the hangar and assign Lessee's rights under this Lease, at the same price as offered to the Lessor, and shall, within fifteen (15) days prior to sale, notify Lessor in writing requesting City approval.

4. This Lease does not confer upon the Lessee the right to infringe on any of the commercial rights granted to any other person by the City of Susanville. This Lease is not a Fixed Base Operator or Commercial Operator Agreement.

5. Upon expiration of this Lease, Lessee shall have the right to remove said airplane hangar from said airport within ninety (90) days. Lessee shall continue to pay the rent then in effect during said ninety-day period. In the event the hangar is not moved off the airport within the ninety (90) days, said hangar shall become the property of the City of Susanville. Any holding over by Lessee past the term of this Lease shall not be deemed a renewal or extension of the term of this Lease.

6. In the event the Master Plan for the Susanville Municipal Airport or any amendments thereto, requires the Leased Premises for other use or uses, Lessor will furnish to said Lessee at another site on the same airport, an equivalent amount of land for hangar relocation. Any relocation of Lessee's hangar shall be at Lessee's sole cost and expense.

7. Should the Master Plan for the Susanville Municipal Airport, or any amendments thereto, require moving of Lessee's hangar, such relocation shall not be required until the City of Susanville places the Master Plan into effect, and only when the City Council has agreed that the Master Plan is feasible and should be placed into operation. Any relocation of said hangar, however, shall be made so as not to interfere with any construction or other work occurring under the Master Plan. All cost of hangar relocation shall be the responsibility of Lessee.

8. Any hangar constructed on the Leased Premises shall meet the Uniform Building Code and City Airport Standards as adopted by the City of Susanville and shall have the exterior walls and roof of metal or other fire resistant material to be approved by the Building Official of the City; Lessee shall keep Lessee's hangar in a state of good repair and in such a condition as to not create a fire hazard or a public nuisance. Lessee's hangar may be inspected by the Fire Chief of the City of Susanville, or his or her designated agent, at all reasonable times, and Lessee shall, within fifteen (15) days of being notified that a condition exists in the hangar which in the opinion of the Fire Chief is a fire hazard or danger to the public health and safety, remedy such condition; if Lessee fails to do so, Lessor may do so at the expense of the Lessee.

9. Lessee shall keep the Leased Premise free and clear of inflammable or combustible vegetation or other materials.

10. If Lessee has not yet constructed a hangar on the premises, Lessee shall commence construction of a hangar within six (6) months from the date the Lease is executed or from the date of such demolition or removal, and finish construction within twelve (12) months from the date the Lease is executed. Failure to comply with the provisions of this paragraph shall result in the immediate termination of this Lease.

11. Lessee shall pave a concrete or asphalt apron at the airplane entrance door from the hangar building to the existing runway.

12. Standards, rules, and regulations of City of Susanville Ordinance 87-697, or any amendments thereto, is incorporated herein by reference and shall also govern Lessee's use of the Leased Premises.

13. Lessee covenants and agrees that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Lease, for a purpose for which a Federal Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

14. Lessee further agrees and covenants that (1) no person on the grounds of race, color, gender or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such premises and the furnishing of services thereon, no person on the grounds of race, color, gender or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

15. That in the event of breach of the above nondiscrimination covenants, Lessor shall have the right to terminate the Lease and to reenter and repossess said Leased Premises and the facilities thereon, and hold the same as if said Lease had never been made or issued. This paragraph does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.

16. Lessor reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance.

17. Lessor reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the Lessee in this regard.

18. This Lease shall be subordinate to the provisions and requirements of any existing or further agreements between the Lessor and the United States, relative to the development, operation or maintenance of the airport.

19. There is hereby reserved to the Lessor, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for

navigation or flight through the said airspace or landing at, taking off from or operation on the Susanville Municipal Airport.

20. Lessee will not erect nor permit the erection of any structure or object (e.g., antennas) on the Leased Premises above the mean sea level elevation of 4,180 feet. In the event of a breach of this paragraph, Lessor reserves the right to enter upon the Leased Premises and to remove the offending structure or object, all of which shall be at the expense of the Lessee.

21. Lessee agrees not to make use of the Leased Premises in any manner which might interfere with the landing and taking off of aircraft from the Susanville Municipal Airport, or that would otherwise constitute a hazard.

22. Lessee shall not use, or store, any petroleum products, except small quantities for Lessee's personal use. Lessee shall not dispose on the Leased Premises any petroleum products, or any material or substances now or hereafter classified as hazardous or toxic under any federal, state, or local law, ordinance, regulation, rule, or order which is now or at any time during the term of this Lease applicable to the Leased Premises or Lessee's use and occupation thereof. Notwithstanding the foregoing, Lessor acknowledges and agrees that the presence of fuel, oil and grease located within the proper receptacles of any aircraft properly stored on the Leased Premises shall not be considered a violation of this section.

23. Lessee hereby agrees to indemnify and hold harmless Lessor from any and all claims, demands, and causes of action, including costs and attorneys' fees, including any litigation in connection with the defense of any claim, demand, or cause of action arising out of or resulting from any hazardous, toxic, or petroleum substance, material, or waste, unless caused by the intentional or otherwise tortuous act or omissions of the Lessor. Upon receiving notice of any such claim, demand, or cause of action, Lessee shall, at Lessee's sole cost and expense, immediately cure or commence to cure the problem by taking all action prescribed by applicable federal, state, and local laws, regulations, ordinances, and orders. Lessee's obligation to indemnify Lessor set forth in this paragraph shall survive the expiration or earlier termination of this Lease.

24. This Lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.

25. Upon the date of this Lease, Lessee shall procure and maintain liability insurance of at least \$150,000.00 for one (1) person, \$250,000.00 per occurrence, and property damage insurance of \$100,000.00; provided, however, Lessor may impose additional coverage requirements in amounts to be determined by resolution of the Susanville City Council, and upon adoption of said resolution, Lessee shall have thirty (30) days from written notice thereof to comply with the additional requirements. A Certificate of Insurance evidencing such coverage and naming Lessor, its officers, agents, and employees as additional insured's, shall be filed with the Susanville City Clerk. Said Certificate of Insurance shall guarantee at least ten (10) days advance notice to Lessor, in writing, of any cancellation or reduction of such insurance.

26. A breach by Lessee of any of the terms of this Agreement constitutes a default. In the event of a default, Lessor may at its option terminate Lessee's right to possession of the Leased Premises at any time by any lawful means, including, but not limited to, rights pursuant to Civil Code Section 1159 et seq., as the same may be amended from time to time. No act of Lessor other than by giving written notice to Lessee shall terminate this Lease. In the event of termination of this Lease by Lessor, Lessee shall immediately surrender possession of the Leased Premises to Lessor. In the event of termination of this Lease, Lessor shall be entitled to recover the following amounts from Lessee:

- a. The amount of the unpaid rent accrued through the date of termination of this Lease;
- b. The excess of the amount of rent which accrues between the date of termination of this Lease and the date of the award over the amount of the loss of rent that Lessee proves could have reasonably been avoided;
- c. The present value, on the date of the award, of the excess amount of rent which accrues between the date of the award and the expiration of the term of this Lease over the amount of the loss of rent that Lessee proves could reasonably be avoided, with the present value computed by using an interest rate equal to that which comparable properties earn on the date of the award; and
- d. Any other amount, including court costs, reasonable attorneys' fees, and costs of taking possession of and reletting the Leased Premises necessary to compensate Lessor for all detriment proximately caused by Lessee's default.

In addition to the foregoing rights, Lessor shall have all other rights set forth in this Lease, including but not limited to the right to possession and ownership of the hangar if it is not removed ninety (90) days after the date of termination of this Lease.

27. FAA Grant Assurances: Lessee acknowledges and agrees that Lessor has entered into certain Grant Agreements with the FAA, conditions of which require that all parties leasing property from Lessor agree to be bound by certain sponsor's assurances given by Lessor to the United States Government under the Airport and Airway Improvement Act of 1982, as the same may be amended from time to time. Accordingly, Lessee on behalf of itself, its heirs, personal representatives, successors, and assigns, as additional consideration for the lease of the Leased Premises from Lessor, does hereby covenant and agree for the term of this Lease to be bound by the provisions set forth in Exhibit "B" (Sponsors Assurances) attached hereto and incorporated herein by reference.

This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States Government or any authorized agency thereof, by which Lessor obtains federally-owned surplus property or federal aid for the development, operation, and/or maintenance of the Susanville Municipal Airport. In the event that the FAA or any other federal agency requires modifications or changes in this Lease as a condition for the granting of funds for the improvement of lands and improvements covered by its laws, rules, or regulations, Lessee agrees to consent to the amendments, modifications, revisions, supplements, or deletions of any of the terms, conditions, or requirements of this Lease, as may be required to obtain such funds except, however, that in no event will Lessee be required, pursuant to this section, to agree to any increase in the rents or fees provided for in this Lease. In the event Lessee refuses or fails to consent to the amendments, modifications, revisions, supplements, or deletions submitted to Lessee by Lessor pursuant to the provisions of this Section within thirty (30) days after receipt of the documents evidencing the changes, then this Lease shall be deemed to be amended and/or modified to comply with said changes as though the documents had been signed by all parties.

28. In the event any action, suit or proceeding is brought to collect the rent, fees, charges, or billings due or to become due hereunder, or any portion thereof, to take possession of the Leased Premises, and/or to enforce compliance with this Lease, the prevailing party shall be entitled to reasonable attorneys' fees and court costs.

29. Lessee shall occupy and use the Leased Premises only for the uses and purposes authorized herein. Lessor's grants of the privileges hereunder are not exclusive and Lessor reserves the right to lease other airport property to other individuals and entities for the same uses and privileges granted hereby, or for other uses and purposes.

30. The property interest herein granted to Lessee may be subject to property taxation of the possessory interest created thereby, and, if created, Lessor, by reason of said possessory interest, may be subject to the payment of property taxes levied on said interest. In the event said taxes are so levied, Lessee shall be responsible for payment thereof. Lessee shall pay promptly all lawful taxes and assessments which may be levied by any federal, state, county, city or other tax levying body of any taxable interest of Lessee hereunder, whether on real or personal property of Lessee.

31. The terms hereof shall be binding on the heirs, successors and assigns of the parties hereto. This Lease cannot be transferred or assigned without Lessor's prior written approval.

IN WITNESS WHEREOF, the said Lessor by **Resolution No. 16-5276** of the City Council of the City of Susanville, has caused this Lease to be executed by the Mayor and the Clerk, and the said Lessee has executed this Lease the day and year first above written.

CITY OF SUSANVILLE  
LESSOR:

\_\_\_\_\_  
Brian Wilson, Mayor

Attest:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

LESSEE:

\_\_\_\_\_  
\_\_\_\_\_, Owner

(If a corporation, a corporate resolution authorizing signature must be attached).

Approved as to Form:

\_\_\_\_\_  
Jessica Ryan, City Attorney

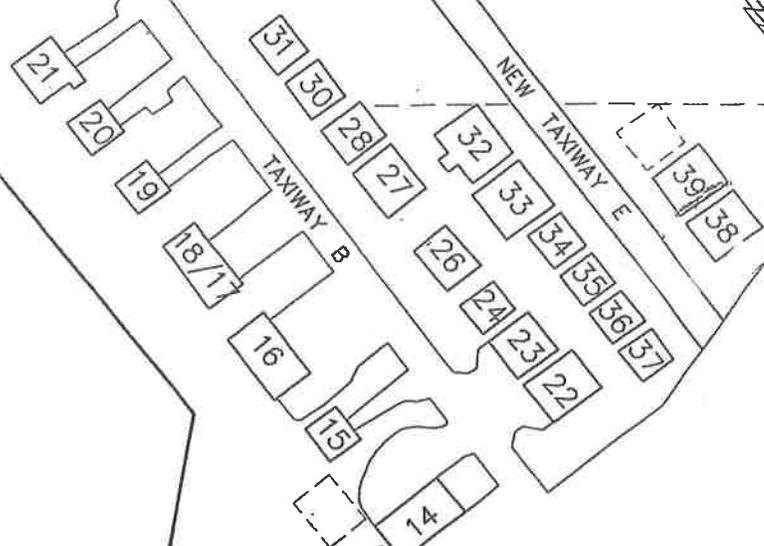
EXHIBIT "A"

Legal Description

Hangar located on Lot #3 at the Susanville Municipal Airport as shown on attached Airport Layout Plan.

MAIN RUNWAY 11-29

TAXIWAY A



FBO

UPS

DIRT RUNWAY 7-25

JOHNSTONVILLE ROAD

HIGHWAY 395

MARCH 27 2007

EXHIBIT "B" - SPONSOR'S ASSURANCES  
PART V  
ASSURANCES

Airport and Planning Agency Sponsors

A. General

1. These assurances shall be complied with in the performance of the following grant agreements:
  - a. Airport development, airport planning, and noise program implementation grants to airport sponsors.
  - b. Integrated airport system planning grants to planning agencies.
2. These assurances are required to be submitted as part of the project application by sponsors requesting funds under the provisions of the Airport and Airway Improvement Act of 1982 as amended by the Airport and Airway Safety and Capacity Expansion Act of 1987, or the Aviation Safety and Noise Abatement Act of 1979. As used herein, the term "public agency sponsor" means a public agency with control of a public-use airport and the term "sponsor" includes public agency sponsors and private sponsors.
3. These assurances also are required to be submitted as part of the project application by a sponsor which is both a public agency and a planning agency requesting funds for integrated airport system planning under the provisions of the Airport and Airway Improvement Act of 1982, as amended.
4. Upon acceptance of the grant offer by the sponsor, these assurances are incorporated in and become part of the grant agreement.

B. Duration and Applicability

1. Airport Development or Noise Program Implementation Projects Undertaken by a Public Agency Sponsor. The terms, conditions and assurances of the grant agreement shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise program implementation project, or throughout the useful life of the project items installed within a facility under a noise program implementation project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurance against exclusive rights or the terms, conditions, and assurances with respect to real property acquired with Federal funds. Furthermore, the duration of the Civil Rights assurance shall be as specified in the assurance.
2. Airport Development or Noise Program Implementation Projects Undertaken by a Private Sponsor. The preceding Paragraph 1 also applies to a private sponsor except that the useful life of project items installed within a facility or the useful life of facilities developed or equipment acquired under an airport development or noise program implementation project shall be no less than ten (10) years from the date of the acceptance of Federal aid for the project.

3. Airport Planning Undertaken by a Sponsor. Unless otherwise specified in the grant agreement, only Assurances 1, 2, 3, 5, 6, 13, 18, 30, 32, 33, and 34 in Section C apply to planning projects. The terms, conditions and assurances of the grant agreement shall remain in full force and effect during the life of the project.

C. Sponsor Certification. The sponsor hereby assures and certifies, with respect to this grant that:

1. General Federal Requirements: It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

Federal Legislation

- a. Federal Aviation Act of 1958 - 49 U.S.C. 1301, et seq.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq. 1/
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act - 5 U.S.C. 1501, et seq. 2/
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 - 42 U.S.C. 4601, et seq. 1/ 2/
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f). 1/
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469C
- h. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a. 1/
- i. Rehabilitation Act of 1973 - 29 U.S.C. 794
- j. Civil Rights Act of 1964 - Title VI - 42 U.S.C. 2000d through d-4.
- k. Aviation Safety and Noise Abatement Act of 1979, 49 U.S.C. 2101, et seq.
- l. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- m. Architectural Barriers Act of 1968 - 42 U.S.C. 4151, et seq. 1/
- n. Airport and Airway Improvement Act of 1982, as amended 49 U.S.C. 2201, et seq.
- o. Power plant and Industrial Fuel Use Act of 1978 - Section 403 -42 U.S.C. 8373.
- p. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq. 1/
- q. Copeland Antikickback Act - 18 U.S.C. 874 1/
- r. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq. 1/
- s. Endangered Species Act - 16 U.S.C. 668(a), et seq. 1/
- t. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq. 2/

Executive Orders

Executive Order 12372 - Intergovernmental Review of Federal Programs

Executive Order 11246 - Equal Employment Opportunity

Federal Regulations

- a. 49 CFR Part 21 - Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964.
- b. 49 CFR Part 23 - Participation by Minority Business Enterprise in Department of Transportation Programs.

- c. 49 CFR Part 24 - Uniform Relocation and Real Property Acquisition for Federal and Federally Assisted Programs.
- d. 49 CFR Part 27 - Non-Discrimination on the Basis of Handicap in Programs and Activities Receiving or Benefitting from Federal Financial Assistance.
- e. 49 CFR Part 29 - Debarments, Suspensions, and Voluntary Exclusions.
- f. 29 CFR Part 1 - Procedures for Predetermination of Wage Rates.
- g. 29 CFR Part 3 - Contractors or Subcontractors on Public Buildings or Public Works Financed in Whole or Part by Loans or Grants from U.S.
- h. 29 CFR Part 5 - Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction.
- i. 41 CFR Part 60 - Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Federal and Federally-assisted Contracting Requirements).
- j. 14 CFR Part 150 - Airport Noise Compatibility Planning.

1/ these laws do not apply to planning projects.

2/ these laws do not apply to private sponsors.

#### Office of Management and Budget Circulars

- a. A-87 - Cost Principles Applicable to Grants and Contracts with State and Local Governments.\*
- b. A-102 - Uniform Requirements for Assistance to State and Local Governments.\*
- c. A-128 - Audits of State and Local Governments.

Specific assurances required to be included in grant agreements by any of the above laws, regulations or circulars are incorporated by reference in the grant agreement.

## 2. Responsibility and Authority of the Sponsor.

- a. **Public Agency Sponsor:** It has legal authority to apply for the grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.
- b. **Private Sponsor:** It has legal authority to apply for the grant and to finance and carry out the proposed project and comply with all terms, conditions, and assurances of this grant agreement. It shall designate an official representative, and shall in writing direct and authorize that person to file this application, including all understandings and assurances

contained therein; to act in connection with the application; and to provide such additional information as may be required.

3. Sponsor Fund Availability. It has sufficient funds available for that portion of the project cost which are not to be paid by the United States. It has sufficient funds available to assure operation and maintenance of items funded under the grant agreement which it will own or control.
4. Good Title. It holds good title, satisfactory to the Secretary, to the landing area of the airport or site thereof, or will give assurance satisfactory to the Secretary that good title will be acquired.

\* OMB Circulars A-87 and A-102 contain requirements for state and local governments receiving Federal assistance. Any requirement levied upon state and local governments by those two circulars shall also be applicable to private sponsors receiving Federal assistance under the Airport and Airway Improvement Act of 1982, as amended.

For noise program implementation projects to be carried out on the property of the sponsor, it holds good title satisfactory to the Secretary to that portion of the property upon which Federal funds will be expended or will give assurance to the Secretary that good title will be obtained.

5. Preserving Rights and Powers.
  - a. It will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in the grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.
  - b. It will not sell, lease, encumber or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit A to this application or, for a noise program implementation project, that portion of the property upon which Federal funds have been expended, for the duration of the terms, conditions, and assurances in the grant agreement without approval by the Secretary. If the transferee is found by the Secretary to be eligible under the Airport and Airway Improvement Act of 1982 to assume the obligations of the grant agreement and to have the power, authority, and financial resources to carry out all such obligations, the sponsor shall insert in the contract or document transferring or disposing of the sponsor's interest, and make binding upon the transferee, all of the terms, conditions and assurances contained in this grant agreement.
  - c. For all noise program implementation projects which are to be carried out by another unit of local government or are on property owned by a unit of local government other than the sponsor, it will enter into an agreement with that government. Except as otherwise specified by the Secretary, that agreement shall obligate that government to the same terms, conditions, and assurances that would be applicable to it if it applied directly to the FAA for a grant to undertake the noise program implementation project. That agreement and changes thereto must be satisfactory to the Secretary. It will take steps to enforce this agreement against the local government if there is substantial non-compliance with the terms of the agreement.

- d. For noise program implementation projects to be carried out on privately owned property, it will enter into an agreement with the owner of that property which includes provisions specified by the Secretary. It will take steps to enforce this agreement against the property owner whenever there is substantial non-compliance with the terms of the agreement.
  - e. If the sponsor is a private sponsor, it will take steps satisfactory to the Secretary to ensure that the airport will continue to function as a public-use airport in accordance with these assurances for the duration of these assurances.
  - f. If an arrangement is made for management and operation of the airport by any agency or person other than the sponsor or an employee of the sponsor, the sponsor will reserve sufficient rights and authority to insure that the airport will be operated and maintained in accordance with the Airport and Airway Improvement Act of 1982, the regulations and the terms, conditions and assurances in the grant agreement and shall insure that such arrangement also requires compliance therewith.
6. Consistency with Local Plans. The project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport. For noise program implementation projects, other than land acquisition, to be carried out on property not owned by the airport and over which property another public agency has land use control or authority, the sponsor shall obtain from each such agency a written declaration that such agency supports that project and the project is reasonably consistent with the agency's plans regarding the property
  7. Consideration of Local Interest. It has given fair consideration to the interest of communities in or near which the project may be located.
  8. Consultation with Users. In making a decision to undertake any airport development project under the Airport and Airway Improvement Act of 1982, it has undertaken reasonable consultations with affected parties using the airport at which project is proposed.
  9. Public Hearings. In projects involving the location of an airport, an airport runway, or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community. It shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary.
  10. Air and Water Quality Standards. In projects involving airport location, a major runway extension, or runway location it will provide for the Governor of the state in which the project is located to certify in writing to the Secretary that the project will be located, designed, constructed, and operated so as to comply with applicable air and water quality standards. In any case where such standards have not been approved and where applicable air and water quality standards have been promulgated by the Administrator of the Environmental Protection Agency, certification shall be obtained from such Administrator. Notice of certification or refusal to certify shall be provided within sixty (60) days after the project application has been received by the Secretary.
  11. Local Approval. In projects involving the construction or extension of any runway at any general aviation airport located astride a line separating two (2) counties within a single state, it

has received approval for the project from the governing body of all villages incorporated under the laws of that state which are located entirely within five (5) miles of the nearest boundary of the airport.

12. Terminal Development Prerequisites. For projects which include terminal development at a public airport, it has, on the date of submittal of the project grant application, all the safety equipment required for certification of such airport under Section 612 of the Federal Aviation Act of 1958 and all the security equipment required by rule or regulation, and has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning or deplaning from aircraft other than air carrier aircraft.
13. Accounting System, Audit, and Recordkeeping Requirements.
  - a. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the project in connection with which the grant is given or used, and the amount and nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.
  - b. It shall make available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to the grant. The Secretary may require that an appropriate audit be conducted by a recipient. In any case in which an independent audit is made of the accounts of a sponsor relating to the disposition of the proceeds of a grant or relating to the project in connection with which the grant was given or used, it shall file a certified copy of such audit with the Comptroller General of the United States not later than six (6) months following the close of the fiscal year for which the audit was made.
14. Minimum Wage Rates. It shall include, in all contracts in excess of \$2,000 for work on any projects funded under the grant agreement which involve labor, provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a - 276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.
15. Veterans Preference. It shall include, in all contracts for work on any projects funded under the grant agreement which involve labor, such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to veterans of the Vietnam era and disabled veterans as defined in Section 515(c) (1) and (2) of the Airport and Airway Improvement Act of 1982. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates.
16. Conformity to Plans and Specifications. It will execute the project subject to plans, specifications, and schedules approved by the Secretary. Such plans, specifications, and schedules shall be submitted to the Secretary prior to commencement of site preparation, construction, or other performance under this grant agreement, and upon approval by the Secretary, shall be incorporated into this grant agreement. Any modifications to the approved

plans, specifications, and schedules shall also be subject to approval by the Secretary and incorporation into the grant agreement.

17. Construction Inspection and Approval. It will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the Secretary for the project. It shall subject the construction work on any project contained in an approved project application to inspection and approval by the Secretary and such work shall be in accordance with regulations and procedures prescribed by the Secretary. Such regulations and procedures shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary.
  
18. Planning Projects. In carrying out planning projects:
  - a. It will execute the project in accordance with the approved program narrative contained in the project application or with modifications similarly approved.
  - b. It will furnish the Secretary with such periodic reports as required pertaining to the planning project and planning work activities.
  - c. It will include in all published material prepared in connection with the planning project a notice that the material was prepared under a grant provided by the United States.
  - d. It will make such material available for examination by the public, and agrees that no material prepared with funds under this project shall be subject to copyright in the United States or any other country.
  - e. It will give the Secretary unrestricted authority to publish, disclose, distribute, and otherwise use any of the material prepared in connection with this grant.
  - f. It will grant the Secretary the right to disapprove the sponsor's employment of specific consultants and their subcontractors to do all or any part of this project as well as the right to disapprove the proposed scope and cost of professional services.
  - g. It will grant the Secretary the right to disapprove the use of the sponsor's employees to do all or any part of the project.
  - h. It understands and agrees that the Secretary's approval of this project grant or the Secretary's approval of any planning material developed as part of this grant does not constitute or imply any assurance or commitment on the part of the Secretary to approve any pending or future application for a Federal airport grant.
  
19. Operation and Maintenance.
  - a. It will suitably operate and maintain the airport and all facilities thereon or connected therewith, with due regard to climatic and flood conditions. Any proposal to temporarily close the airport for nonaeronautical purposes must first be approved by the Secretary. The airport and all facilities which are necessary to serve the aeronautical users of the airport, other than facilities owned or controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be required or prescribed by applicable Federal, state and local agencies for maintenance and operation. It will not cause or permit any activity or action thereon which would interfere with its use for airport purposes.

In furtherance of this assurance, the sponsor will have in effect at all times arrangements for:

- (1) Operating the airport's aeronautical facilities whenever required; and
- (2) Promptly marking and lighting hazards resulting from airport conditions, including temporary conditions; and

- (3) Promptly notifying airmen of any condition affecting aeronautical use of this airport.

Nothing contained herein shall be construed to require that the airport be operated for aeronautical use during temporary periods when snow, flood or other climatic conditions interfere with such operation and maintenance. Further, nothing herein shall be construed as requiring the maintenance, repair, restoration, or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the sponsor.

- b. It will suitably operate and maintain noise program implementation items that it owns or controls upon which Federal funds have been expended.
20. Hazard Removal and Mitigation. It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.
  21. Compatible Land Use. It will take appropriate action, including the adoption of zoning laws, to the extent reasonable, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. In addition, if the project is for noise program implementation, it will not cause or permit any change in land use, within its jurisdiction, that will reduce the compatibility, with respect to the airport, of the noise compatibility program measures upon which Federal funds have been expended.
  22. Economic Nondiscrimination.
    - a. It will make its airport available as an airport for public use on fair and reasonable terms and without unjust discrimination, to all types, kinds, and classes of aeronautical uses.
    - b. In any agreement, contract, lease or other arrangement under which a right or privilege at the airport is granted to any person, firm, or corporation to conduct or engage in any aeronautical activity for furnishing services to the public at the airport, the sponsor will insert and enforce provisions requiring the contractor
      - (1) To furnish said services on a fair, equal, and not unjustly discriminatory basis to all users thereof, and
      - (2) To charge fair, reasonable, and not unjustly discriminatory prices for each unit or service, provided, that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
    - c. Each fixed-based operator at any airport owned by the sponsor shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
    - d. Each air carrier using such airport shall have the right to service itself or to use any fixed-based operator that is authorized or permitted by the airport to serve any air carrier at such airport.

- e. Each air carrier using such airport (whether as a tenant, nontenant, or subtenant of another air carrier tenant) shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to transportation as are applicable to all such air carriers which make similar use of such airport and which utilize similar facilities, subject to reasonable classifications such as tenants or nontenants and signatory carriers and nonsignatory carriers. Classification or status as tenant or signatory shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on air carriers in such classifications or status.
  - f. It will not exercise or grant any right or privilege which operates to prevent any person, firm, or corporation operating aircraft on the airport from performing any services on its own aircraft with its own employees (including, but not limited to maintenance, repair, and fueling) that it may choose to perform.
  - g. In the event the sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by contractors or concessionaires of the sponsor under these provision.
  - h. The sponsor may establish such fair, equal, and not unjustly discriminatory conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport.
  - i. The sponsor may prohibit or limit any given type, kind, or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.
23. **Exclusive Rights.** It will permit no exclusive right for the use of the airport by any persons providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply: (1) It would be unreasonably costly, burdensome, or impractical for more than one (1) fixed-based operator to provide such services, and (2) If allowing more than one (1) fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport.

It further agrees that it will not, either directly or indirectly, grant or permit any person, firm or corporation the exclusive right at the airport, or at any other airport now owned or controlled by it, to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under the Airport and Airway Improvement Act of 1982.

24. **Fee and Rental Structure.** It will maintain a fee and rental structure consistent with Assurances 22 and 23, for the facilities and services being provided to the airport users which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport,

taking into account such factors as the volume of traffic and economy of collection. No part of the Federal share of an airport development, airport planning or noise compatibility project for which a grant is made under the Airport and Airway Improvement Act of 1982, the Federal Airport Act or the Airport and Airway Development Act of 1970 shall be included in the rate base in establishing fees, rates, and charges for users of that airport.

25. **Airport Revenue.** If the airport is under the control of a public agency, all revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport. Provided, however, that if covenants or assurances in debt obligations issued before September 3, 1982 by the owner or operator of the airport, or provisions enacted before September 3, 1982 in governing statutes controlling the owner or operator's financing, provide for the use of the revenues from any of the airport owner or operator's facilities, including the airport, to support not only the airport but also the airport owner or operator's general debt obligations or other facilities, then this limitation on the use of all revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.
26. **Reports and Inspections.** It will submit to the Secretary such annual or special financial and operations reports as the Secretary may reasonably request. For airport development projects, it will also make the airport and all airport records and documents affecting the airport, including deeds, leases, operation and use agreement, regulations and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request. For noise program implementation projects, it will also make records and documents relating to the project and continued compliance with the terms, conditions, and assurances of the grant agreement including deeds, leases, agreements, regulations, and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request.
27. **Use of Government Aircraft.** It will make available all of the facilities of the airport developed with Federal financial assistance and all those useable for landing and takeoff of aircraft to the United States for use by government aircraft in common with other aircraft at all times without charge, except, if the use by government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, for the cost of operating and maintaining the facilities used. Unless otherwise determined by the Secretary, or otherwise agreed to by the sponsor and the using agency, substantial use of an airport by government aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the Secretary, would unduly interfere with use of the landing areas by other authorized aircraft, or during any calendar month that:
  - a. Five (5) or more government aircraft are regularly based at the airport or on land adjacent thereto; or
  - b. The total number of movements (counting each landing as a movement) of government aircraft is three hundred (300) or more, or the gross accumulative weight of government aircraft using the airport (the total movements of government aircraft multiplied by gross weights of such aircraft) is in excess of five million (5,000,000) pounds.
28. **Land for Federal Facilities.** It will furnish without cost to the Federal Government for use in connection with any air traffic control or air navigation activities, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate

therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction, operation, and maintenance at Federal expense of space or facilities for such purposes. Such areas or any portion thereof will be made available as provided herein within four (4) months after receipt of a written request from the Secretary.

29. Airport Layout Plan.

- a. It will keep up to date at all times an airport layout plan of the airport showing (1) boundaries of the airport and all proposed additions thereto, together with the boundaries of all offsite areas owned or controlled by the sponsor for airport purposes and proposed additions thereto; (2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars and roads), including all proposed extensions and reductions of existing airport facilities; and (3) the location of all existing and proposed nonaviation areas and of all existing improvements thereon. Such airport layout plan and each amendment, revision, or modification thereof, shall be subject to the approval of the Secretary which approval shall be evidenced by the signature of a duly authorized representative of the Secretary on the face of the airport layout plan. The Sponsor will not make or permit any changes or alteration in the airport or in any of its facilities which are not in conformity with the airport layout plan as approved by the Secretary and which might, in the opinion of the Secretary, adversely affect the safety, utility, or efficiency of the airport.
- b. If a change or alteration in the airport or its facilities is made which the Secretary determines adversely affects the safety, utility, or efficiency of any federally owned, leased, or funded property on or off the airport and which is not in conformity with the airport layout plan as approved by the Secretary, the owner or operator will, if requested by the Secretary (1) eliminate such adverse effect in a manner approved by the Secretary; or (2) bear all costs of relocating such property (or replacement thereof) to a site acceptable to the Secretary and all costs of restoring such property (or replacement thereof) to the level of safety, utility, efficiency, and cost of operation existing before the unapproved change in the airport or its facilities.

30. Civil Rights. It will comply with such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefitting from funds received from this grant. This assurance obligates the sponsor for the period during which Federal financial assistance is extended to the program, except where Federal financial assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon, in which case the assurance obligates the sponsor or any transferee for the longer of the following periods: (a) the period during which the property is used for a purpose for which Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits or (b) the period during which the sponsor retains ownership or possession of the property.

31. Disposal of Land.

- a. For land purchased under grant before, on, after December 30, 1987 for airport noise compatibility purposes, it will dispose of the land, when the land is no longer needed for such purposes, at fair market value at the earliest practicable time. That portion of the proceeds of such disposition which is proportionate to the United States share of acquisition of such land will, at the discretion of the Secretary, 1) be paid to the Secretary

- for deposit in the Trust Fund or 2) be reinvested in an approved noise compatibility project as prescribed by the Secretary.
- b. For land purchased for airport purposes (other than noise compatibility) under grant before, on, or after December 30, 1987, it will, when the land is no longer needed for airport purposes, dispose of such land at fair market value. That portion of the proceeds of such disposition, which is proportionate to the United States share of the cost of acquisition of such land, will be paid to the Secretary for deposit in the Trust Fund.
  - c. Disposition of such land under a. and b. above will be subject to the retention or reservation on any interest or right there in necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with the operation of the airport.
32. **Engineering and Design Services.** It will award each contract, or subcontract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping, or related services with respect to the project in the same manner as a contract for architectural and engineering services is negotiated under Title IX of the Federal Property and Administrative Services Act of 1949 or an equivalent qualifications-based requirement prescribed for or by the sponsor of the airport.
33. **Foreign Market Restrictions.** It will not allow funds provided under this grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade Representative as denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.

**AIRPORT HANGAR LAND LEASE AGREEMENT  
HANGAR OWNED BY LESSEE**

THIS LEASE, made this \_\_\_\_\_ day of \_\_\_\_\_ 2016, between the CITY OF SUSANVILLE, a municipal corporation, organized and existing under the laws of the State of California, hereinafter referred to as "Lessor", and Brad Reger, address: P.O. Box 1149 Susanville, CA 96130, County of Lassen, state of California, hereinafter referred to as "Lessee", on the following terms and conditions:

1. Lessor does hereby lease to Lessee, for a term of twenty (20) years from the date hereof, unless sooner terminated as set forth herein, a certain parcel of land described as Hangar Lot # 4, hereinafter referred to as the "Leased Premises", located at the Susanville Municipal Airport and legally described as follows:

SEE EXHIBIT "A" ATTACHED HERETO

(a) Lessee shall provide a hangar building plan for approval prior to any Lease execution for use as an airplane hangar. The rent shall be \$.299077261 per square foot per year, for the area including the space occupied by the hangar only which rent is payable in twelve (12) equal installments monthly in advance on the first day of each and every month; or paid in full within thirty (30) days of annual billing. Said rent shall be increased on an annual basis as set forth below.

(b) Commencing on July 1 following the commencement date of this lease agreement, and continuing each year thereafter ("the Rent Adjustment Date") the rent set forth in Section 1(a) above shall be subject to adjustment as follows: The Consumer Price Index for All Urban Consumers, West Region, for West City Classes B/C, published by the Bureau of Labor Statistics, United States Department of Labor for all items ("index") in effect on January 1, 2005 shall be the Base Index. For each Rent Adjustment Date, the Index in effect immediately before that Rent Adjustment Date ("the Adjustment Index") shall be used for purposes of calculating the amount of adjustment, if any. If the Adjustment Index has increased over the Base Index, the rent payable for the following year and until the next Rent Adjustment Date shall be increased by the same percentage as the Adjustment Index bears to the Base Index.

(c) In no event shall the monthly rent be decreased below the amount specified under Section 2.01(a).

(d) If the Consumer Price Index, as now constituted, compiled, and published, shall cease to be compiled and published during the term of this lease, or is calculated on a significantly different basis following the date of this lease, the most comprehensive official Index published that most closely approximates the rate of inflation shall be used for purposes of computing adjustments under this lease. City's determination as to which official Index to then use shall be final and binding on Lessee.

(e) Any rent due for the portion of the month this Lease commences shall be prorated for that month. Lessee is granted the unlimited lawful right of ingress and egress from the Leased Premises. Lessor hereby reserves a utility easement, including but not limited to, the right to construct, install, place and maintain utility lines for all customary utility services under, over, across, and through the Leased Premises at such locations as Lessor shall require.

2. Lessee shall use the hangar for the storage of one or more aircraft owned or leased by Lessee and shall not sublease the space for storing any property other than aircraft and that aircraft's related personal property. Lessee is allowed to store aircraft owned by Lessee in the airplane hangar, and Lessee's use of the hangar shall be for storage of Lessee's aircraft. In the event Lessee desires to sublease any part of the hangar not otherwise used by Lessee for storage of Lessee's aircraft, then Lessee must obtain the written permission of Lessor to do so and said sub lessee will be required to provide insurance as specified herein. In the event of such sublease, the sublease shall be limited to storage of the sub lessee's aircraft, and personal property related

to said aircraft; Lessee shall pay to Lessor as additional rent an amount equal to twenty percent (20%) of the amount charged by Lessee to Lessee's sub lessee, or \$20.00, whichever is greater. Lessee is prohibited from subleasing the entire hangar for storage of aircraft owned by others. If any provisions of this paragraph 2 are violated, Lessee shall forfeit this Lease. Lessee may, however, store Lessee's aircraft-related personal property in the hangar; provided, however, that Lessee is in fact storing aircraft in the hangar and the storage of Lessee's aircraft-related personal property does not interfere with the storage of such aircraft nor with the ingress and egress of such aircraft to and from the hangar. Lessee shall not conduct any commercial or business activity on the Leased Premises. Lessor shall be notified in writing requesting Lessor's approval in the event Lessee desires to enter into a sublease.

3. Lessee hereby agrees that should Lessee desire to sell Lessee's interest hereunder and the improvements on said Leased Premises, Lessee shall first submit an offer in writing to Lessor to sell said Leased Premises and improvements to Lessor for the same amount as any bona fide offer received by Lessee in connection therewith, or for the fair market value, as the case may be. Lessee's written offer to Lessor shall be submitted to the City Clerk of the City of Susanville, at least fifteen (15) days prior to a regularly scheduled meeting of the City Council of the City of Susanville, and the City Council shall have thirty (30) days after said meeting within which to accept or reject the offer. In the event that the City Council does not act within that period of time, the offer will be deemed rejected. Should Lessor reject the offer, Lessee may sell the hangar and assign Lessee's rights under this Lease, at the same price as offered to the Lessor, and shall, within fifteen (15) days prior to sale, notify Lessor in writing requesting City approval.

4. This Lease does not confer upon the Lessee the right to infringe on any of the commercial rights granted to any other person by the City of Susanville. This Lease is not a Fixed Base Operator or Commercial Operator Agreement.

5. Upon expiration of this Lease, Lessee shall have the right to remove said airplane hangar from said airport within ninety (90) days. Lessee shall continue to pay the rent then in effect during said ninety-day period. In the event the hangar is not moved off the airport within the ninety (90) days, said hangar shall become the property of the City of Susanville. Any holding over by Lessee past the term of this Lease shall not be deemed a renewal or extension of the term of this Lease.

6. In the event the Master Plan for the Susanville Municipal Airport or any amendments thereto, requires the Leased Premises for other use or uses, Lessor will furnish to said Lessee at another site on the same airport, an equivalent amount of land for hangar relocation. Any relocation of Lessee's hangar shall be at Lessee's sole cost and expense.

7. Should the Master Plan for the Susanville Municipal Airport, or any amendments thereto, require moving of Lessee's hangar, such relocation shall not be required until the City of Susanville places the Master Plan into effect, and only when the City Council has agreed that the Master Plan is feasible and should be placed into operation. Any relocation of said hangar, however, shall be made so as not to interfere with any construction or other work occurring under the Master Plan. All cost of hangar relocation shall be the responsibility of Lessee.

8. Any hangar constructed on the Leased Premises shall meet the Uniform Building Code and City Airport Standards as adopted by the City of Susanville and shall have the exterior walls and roof of metal or other fire resistant material to be approved by the Building Official of the City; Lessee shall keep Lessee's hangar in a state of good repair and in such a condition as to not create a fire hazard or a public nuisance. Lessee's hangar may be inspected by the Fire Chief of the City of Susanville, or his or her designated agent, at all reasonable times, and Lessee shall, within fifteen (15) days of being notified that a condition exists in the hangar which in the opinion of the Fire Chief is a fire hazard or danger to the public health and safety, remedy such condition; if Lessee fails to do so, Lessor may do so at the expense of the Lessee.

9. Lessee shall keep the Leased Premise free and clear of inflammable or combustible vegetation or other materials.

10. If Lessee has not yet constructed a hangar on the premises, Lessee shall commence construction of a hangar within six (6) months from the date the Lease is executed or from the date of such demolition or removal, and finish construction within twelve (12) months from the date the Lease is executed. Failure to comply with the provisions of this paragraph shall result in the immediate termination of this Lease.

11. Lessee shall pave a concrete or asphalt apron at the airplane entrance door from the hangar building to the existing runway.

12. Standards, rules, and regulations of City of Susanville Ordinance 87-697, or any amendments thereto, is incorporated herein by reference and shall also govern Lessee's use of the Leased Premises.

13. Lessee covenants and agrees that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Lease, for a purpose for which a Federal Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

14. Lessee further agrees and covenants that (1) no person on the grounds of race, color, gender or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such premises and the furnishing of services thereon, no person on the grounds of race, color, gender or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

15. That in the event of breach of the above nondiscrimination covenants, Lessor shall have the right to terminate the Lease and to reenter and repossess said Leased Premises and the facilities thereon, and hold the same as if said Lease had never been made or issued. This paragraph does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.

16. Lessor reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance.

17. Lessor reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the Lessee in this regard.

18. This Lease shall be subordinate to the provisions and requirements of any existing or further agreements between the Lessor and the United States, relative to the development, operation or maintenance of the airport.

19. There is hereby reserved to the Lessor, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for

navigation or flight through the said airspace or landing at, taking off from or operation on the Susanville Municipal Airport.

20. Lessee will not erect nor permit the erection of any structure or object (e.g., antennas) on the Leased Premises above the mean sea level elevation of 4,180 feet. In the event of a breach of this paragraph, Lessor reserves the right to enter upon the Leased Premises and to remove the offending structure or object, all of which shall be at the expense of the Lessee.

21. Lessee agrees not to make use of the Leased Premises in any manner which might interfere with the landing and taking off of aircraft from the Susanville Municipal Airport, or that would otherwise constitute a hazard.

22. Lessee shall not use, or store, any petroleum products, except small quantities for Lessee's personal use. Lessee shall not dispose on the Leased Premises any petroleum products, or any material or substances now or hereafter classified as hazardous or toxic under any federal, state, or local law, ordinance, regulation, rule, or order which is now or at any time during the term of this Lease applicable to the Leased Premises or Lessee's use and occupation thereof. Notwithstanding the foregoing, Lessor acknowledges and agrees that the presence of fuel, oil and grease located within the proper receptacles of any aircraft properly stored on the Leased Premises shall not be considered a violation of this section.

23. Lessee hereby agrees to indemnify and hold harmless Lessor from any and all claims, demands, and causes of action, including costs and attorneys' fees, including any litigation in connection with the defense of any claim, demand, or cause of action arising out of or resulting from any hazardous, toxic, or petroleum substance, material, or waste, unless caused by the intentional or otherwise tortuous act or omissions of the Lessor. Upon receiving notice of any such claim, demand, or cause of action, Lessee shall, at Lessee's sole cost and expense, immediately cure or commence to cure the problem by taking all action prescribed by applicable federal, state, and local laws, regulations, ordinances, and orders. Lessee's obligation to indemnify Lessor set forth in this paragraph shall survive the expiration or earlier termination of this Lease.

24. This Lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.

25. Upon the date of this Lease, Lessee shall procure and maintain liability insurance of at least \$150,000.00 for one (1) person, \$250,000.00 per occurrence, and property damage insurance of \$100,000.00; provided, however, Lessor may impose additional coverage requirements in amounts to be determined by resolution of the Susanville City Council, and upon adoption of said resolution, Lessee shall have thirty (30) days from written notice thereof to comply with the additional requirements. A Certificate of Insurance evidencing such coverage and naming Lessor, its officers, agents, and employees as additional insured's, shall be filed with the Susanville City Clerk. Said Certificate of Insurance shall guarantee at least ten (10) days advance notice to Lessor, in writing, of any cancellation or reduction of such insurance.

26. A breach by Lessee of any of the terms of this Agreement constitutes a default. In the event of a default, Lessor may at its option terminate Lessee's right to possession of the Leased Premises at any time by any lawful means, including, but not limited to, rights pursuant to Civil Code Section 1159 et seq., as the same may be amended from time to time. No act of Lessor other than by giving written notice to Lessee shall terminate this Lease. In the event of termination of this Lease by Lessor, Lessee shall immediately surrender possession of the Leased Premises to Lessor. In the event of termination of this Lease, Lessor shall be entitled to recover the following amounts from Lessee:

- a. The amount of the unpaid rent accrued through the date of termination of this Lease;
- b. The excess of the amount of rent which accrues between the date of termination of this Lease and the date of the award over the amount of the loss of rent that Lessee proves could have reasonably been avoided;
- c. The present value, on the date of the award, of the excess amount of rent which accrues between the date of the award and the expiration of the term of this Lease over the amount of the loss of rent that Lessee proves could reasonably be avoided, with the present value computed by using an interest rate equal to that which comparable properties earn on the date of the award; and
- d. Any other amount, including court costs, reasonable attorneys' fees, and costs of taking possession of and reletting the Leased Premises necessary to compensate Lessor for all detriment proximately caused by Lessee's default.

In addition to the foregoing rights, Lessor shall have all other rights set forth in this Lease, including but not limited to the right to possession and ownership of the hangar if it is not removed ninety (90) days after the date of termination of this Lease.

27. FAA Grant Assurances: Lessee acknowledges and agrees that Lessor has entered into certain Grant Agreements with the FAA, conditions of which require that all parties leasing property from Lessor agree to be bound by certain sponsor's assurances given by Lessor to the United States Government under the Airport and Airway Improvement Act of 1982, as the same may be amended from time to time. Accordingly, Lessee on behalf of itself, its heirs, personal representatives, successors, and assigns, as additional consideration for the lease of the Leased Premises from Lessor, does hereby covenant and agree for the term of this Lease to be bound by the provisions set forth in Exhibit "B" (Sponsors Assurances) attached hereto and incorporated herein by reference.

This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States Government or any authorized agency thereof, by which Lessor obtains federally-owned surplus property or federal aid for the development, operation, and/or maintenance of the Susanville Municipal Airport. In the event that the FAA or any other federal agency requires modifications or changes in this Lease as a condition for the granting of funds for the improvement of lands and improvements covered by its laws, rules, or regulations, Lessee agrees to consent to the amendments, modifications, revisions, supplements, or deletions of any of the terms, conditions, or requirements of this Lease, as may be required to obtain such funds except, however, that in no event will Lessee be required, pursuant to this section, to agree to any increase in the rents or fees provided for in this Lease. In the event Lessee refuses or fails to consent to the amendments, modifications, revisions, supplements, or deletions submitted to Lessee by Lessor pursuant to the provisions of this Section within thirty (30) days after receipt of the documents evidencing the changes, then this Lease shall be deemed to be amended and/or modified to comply with said changes as though the documents had been signed by all parties.

28. In the event any action, suit or proceeding is brought to collect the rent, fees, charges, or billings due or to become due hereunder, or any portion thereof, to take possession of the Leased Premises, and/or to enforce compliance with this Lease, the prevailing party shall be entitled to reasonable attorneys' fees and court costs.

29. Lessee shall occupy and use the Leased Premises only for the uses and purposes authorized herein. Lessor's grants of the privileges hereunder are not exclusive and Lessor reserves the right to lease other airport property to other individuals and entities for the same uses and privileges granted hereby, or for other uses and purposes.

30. The property interest herein granted to Lessee may be subject to property taxation of the possessory interest created thereby, and, if created, Lessor, by reason of said possessory interest, may be subject to the payment of property taxes levied on said interest. In the event said taxes are so levied, Lessee shall be responsible for payment thereof. Lessee shall pay promptly all lawful taxes and assessments which may be levied by any federal, state, county, city or other tax levying body of any taxable interest of Lessee hereunder, whether on real or personal property of Lessee.

31. The terms hereof shall be binding on the heirs, successors and assigns of the parties hereto. This Lease cannot be transferred or assigned without Lessor's prior written approval.

IN WITNESS WHEREOF, the said Lessor by **Resolution No. 16-5277** of the City Council of the City of Susanville, has caused this Lease to be executed by the Mayor and the Clerk, and the said Lessee has executed this Lease the day and year first above written.

CITY OF SUSANVILLE  
LESSOR:

\_\_\_\_\_  
Brian Wilson, Mayor

Attest:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

LESSEE:

\_\_\_\_\_  
\_\_\_\_\_, Owner

(If a corporation, a corporate resolution authorizing signature must be attached).

Approved as to Form:

\_\_\_\_\_  
Jessica Ryan, City Attorney

EXHIBIT "A"

Legal Description

Hangar located on Lot #4 at the Susanville Municipal Airport as shown on attached Airport Layout Plan.

MAIN RUNWAY 11-29

TAXIWAY A

NEW TAXIWAY E

TAXIWAY B

NEW TIE DOWN AREA

DIRT RUNWAY 7-25

JOHNSTONVILLE ROAD

HIGHWAY 395

MARCH 27 2007

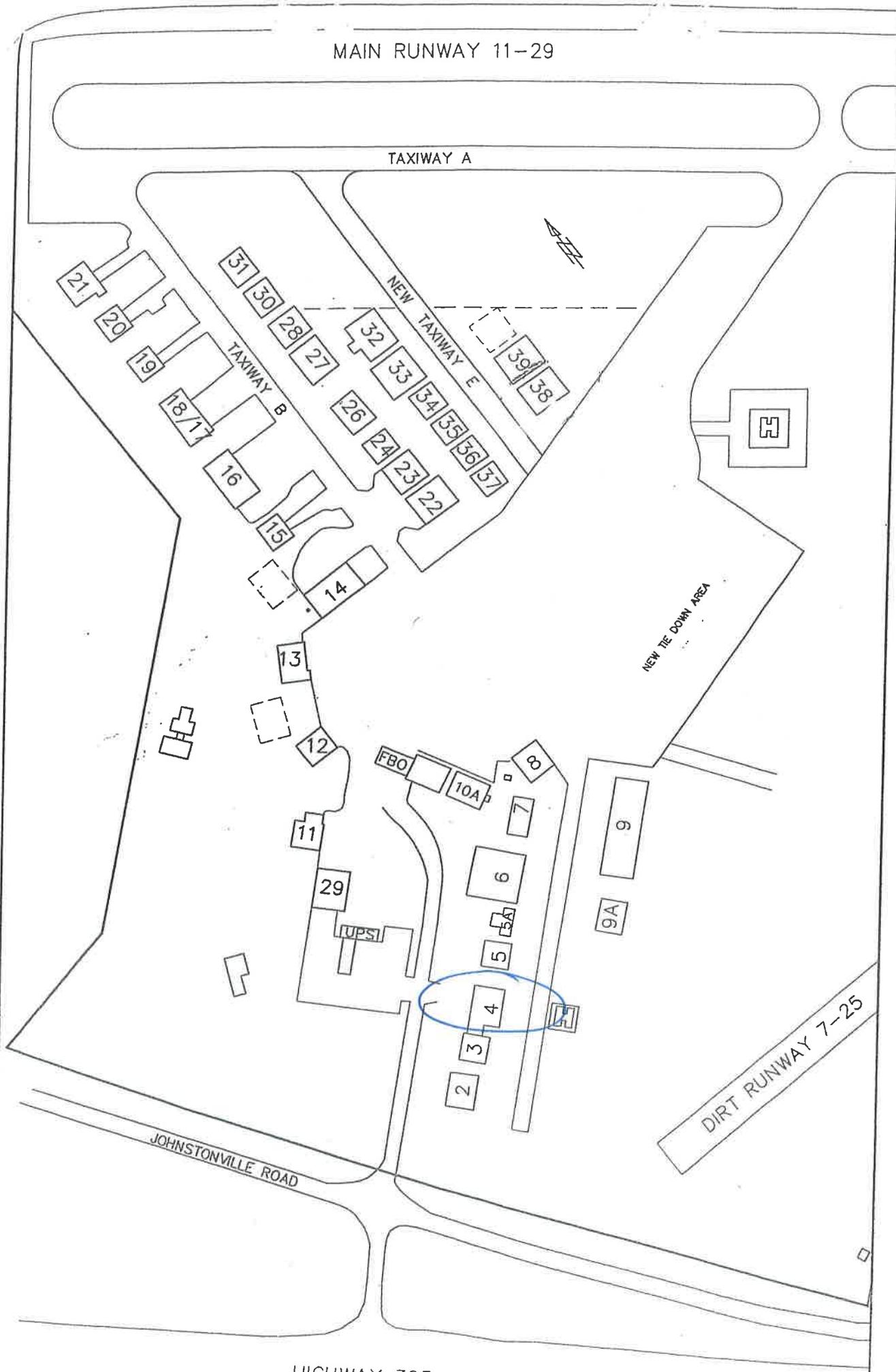


EXHIBIT "B" - SPONSOR'S ASSURANCES  
PART V  
ASSURANCES

Airport and Planning Agency Sponsors

A. General

1. These assurances shall be complied with in the performance of the following grant agreements:
  - a. Airport development, airport planning, and noise program implementation grants to airport sponsors.
  - b. Integrated airport system planning grants to planning agencies.
2. These assurances are required to be submitted as part of the project application by sponsors requesting funds under the provisions of the Airport and Airway Improvement Act of 1982 as amended by the Airport and Airway Safety and Capacity Expansion Act of 1987, or the Aviation Safety and Noise Abatement Act of 1979. As used herein, the term "public agency sponsor" means a public agency with control of a public-use airport and the term "sponsor" includes public agency sponsors and private sponsors.
3. These assurances also are required to be submitted as part of the project application by a sponsor which is both a public agency and a planning agency requesting funds for integrated airport system planning under the provisions of the Airport and Airway Improvement Act of 1982, as amended.
4. Upon acceptance of the grant offer by the sponsor, these assurances are incorporated in and become part of the grant agreement.

B. Duration and Applicability

1. Airport Development or Noise Program Implementation Projects Undertaken by a Public Agency Sponsor. The terms, conditions and assurances of the grant agreement shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise program implementation project, or throughout the useful life of the project items installed within a facility under a noise program implementation project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurance against exclusive rights or the terms, conditions, and assurances with respect to real property acquired with Federal funds. Furthermore, the duration of the Civil Rights assurance shall be as specified in the assurance.
2. Airport Development or Noise Program Implementation Projects Undertaken by a Private Sponsor. The preceding Paragraph 1 also applies to a private sponsor except that the useful life of project items installed within a facility or the useful life of facilities developed or equipment acquired under an airport development or noise program implementation project shall be no less than ten (10) years from the date of the acceptance of Federal aid for the project.

3. Airport Planning Undertaken by a Sponsor. Unless otherwise specified in the grant agreement, only Assurances 1, 2, 3, 5, 6, 13, 18, 30, 32, 33, and 34 in Section C apply to planning projects. The terms, conditions and assurances of the grant agreement shall remain in full force and effect during the life of the project.

C. Sponsor Certification. The sponsor hereby assures and certifies, with respect to this grant that:

1. General Federal Requirements: It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

#### Federal Legislation

- a. Federal Aviation Act of 1958 - 49 U.S.C. 1301, et seq.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq. 1/
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act - 5 U.S.C. 1501, et seq. 2/
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 - 42 U.S.C. 4601, et seq. 1/ 2/
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f). 1/
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469C
- h. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a. 1/
- i. Rehabilitation Act of 1973 - 29 U.S.C. 794
- j. Civil Rights Act of 1964 - Title VI - 42 U.S.C. 2000d through d-4.
- k. Aviation Safety and Noise Abatement Act of 1979, 49 U.S.C. 2101, et seq.
- l. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- m. Architectural Barriers Act of 1968 - 42 U.S.C. 4151, et seq. 1/
- n. Airport and Airway Improvement Act of 1982, as amended 49 U.S.C. 2201, et seq.
- o. Power plant and Industrial Fuel Use Act of 1978 - Section 403 -42 U.S.C. 8373.
- p. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq. 1/
- q. Copeland Antikickback Act - 18 U.S.C. 874 1/
- r. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq. 1/
- s. Endangered Species Act - 16 U.S.C. 668(a), et seq. 1/
- t. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq. 2/

#### Executive Orders

Executive Order 12372 - Intergovernmental Review of Federal Programs

Executive Order 11246 - Equal Employment Opportunity

#### Federal Regulations

- a. 49 CFR Part 21 - Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964.
- b. 49 CFR Part 23 - Participation by Minority Business Enterprise in Department of Transportation Programs.

- c. 49 CFR Part 24 - Uniform Relocation and Real Property Acquisition for Federal and Federally Assisted Programs.
- d. 49 CFR Part 27 - Non-Discrimination on the Basis of Handicap in Programs and Activities Receiving or Benefitting from Federal Financial Assistance.
- e. 49 CFR Part 29 - Debarments, Suspensions, and Voluntary Exclusions.
- f. 29 CFR Part 1 - Procedures for Predetermination of Wage Rates.
- g. 29 CFR Part 3 - Contractors or Subcontractors on Public Buildings or Public Works Financed in Whole or Part by Loans or Grants from U.S.
- h. 29 CFR Part 5 - Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction.
- i. 41 CFR Part 60 - Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Federal and Federally-assisted Contracting Requirements).
- j. 14 CFR Part 150 - Airport Noise Compatibility Planning.

1/ these laws do not apply to planning projects.

2/ these laws do not apply to private sponsors.

#### Office of Management and Budget Circulars

- a. A-87 - Cost Principles Applicable to Grants and Contracts with State and Local Governments.\*
- b. A-102 - Uniform Requirements for Assistance to State and Local Governments.\*
- c. A-128 - Audits of State and Local Governments.

Specific assurances required to be included in grant agreements by any of the above laws, regulations or circulars are incorporated by reference in the grant agreement.

#### 2. Responsibility and Authority of the Sponsor.

- a. **Public Agency Sponsor:** It has legal authority to apply for the grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.
- b. **Private Sponsor:** It has legal authority to apply for the grant and to finance and carry out the proposed project and comply with all terms, conditions, and assurances of this grant agreement. It shall designate an official representative, and shall in writing direct and authorize that person to file this application, including all understandings and assurances

contained therein; to act in connection with the application; and to provide such additional information as may be required.

3. Sponsor Fund Availability. It has sufficient funds available for that portion of the project cost which are not to be paid by the United States. It has sufficient funds available to assure operation and maintenance of items funded under the grant agreement which it will own or control.
4. Good Title. It holds good title, satisfactory to the Secretary, to the landing area of the airport or site thereof, or will give assurance satisfactory to the Secretary that good title will be acquired.

\* OMB Circulars A-87 and A-102 contain requirements for state and local governments receiving Federal assistance. Any requirement levied upon state and local governments by those two circulars shall also be applicable to private sponsors receiving Federal assistance under the Airport and Airway Improvement Act of 1982, as amended.

For noise program implementation projects to be carried out on the property of the sponsor, it holds good title satisfactory to the Secretary to that portion of the property upon which Federal funds will be expended or will give assurance to the Secretary that good title will be obtained.

5. Preserving Rights and Powers.
  - a. It will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in the grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.
  - b. It will not sell, lease, encumber or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit A to this application or, for a noise program implementation project, that portion of the property upon which Federal funds have been expended, for the duration of the terms, conditions, and assurances in the grant agreement without approval by the Secretary. If the transferee is found by the Secretary to be eligible under the Airport and Airway Improvement Act of 1982 to assume the obligations of the grant agreement and to have the power, authority, and financial resources to carry out all such obligations, the sponsor shall insert in the contract or document transferring or disposing of the sponsor's interest, and make binding upon the transferee, all of the terms, conditions and assurances contained in this grant agreement.
  - c. For all noise program implementation projects which are to be carried out by another unit of local government or are on property owned by a unit of local government other than the sponsor, it will enter into an agreement with that government. Except as otherwise specified by the Secretary, that agreement shall obligate that government to the same terms, conditions, and assurances that would be applicable to it if it applied directly to the FAA for a grant to undertake the noise program implementation project. That agreement and changes thereto must be satisfactory to the Secretary. It will take steps to enforce this agreement against the local government if there is substantial non-compliance with the terms of the agreement.

- d. For noise program implementation projects to be carried out on privately owned property, it will enter into an agreement with the owner of that property which includes provisions specified by the Secretary. It will take steps to enforce this agreement against the property owner whenever there is substantial non-compliance with the terms of the agreement.
  - e. If the sponsor is a private sponsor, it will take steps satisfactory to the Secretary to ensure that the airport will continue to function as a public-use airport in accordance with these assurances for the duration of these assurances.
  - f. If an arrangement is made for management and operation of the airport by any agency or person other than the sponsor or an employee of the sponsor, the sponsor will reserve sufficient rights and authority to insure that the airport will be operated and maintained in accordance with the Airport and Airway Improvement Act of 1982, the regulations and the terms, conditions and assurances in the grant agreement and shall insure that such arrangement also requires compliance therewith.
6. Consistency with Local Plans. The project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport. For noise program implementation projects, other than land acquisition, to be carried out on property not owned by the airport and over which property another public agency has land use control or authority, the sponsor shall obtain from each such agency a written declaration that such agency supports that project and the project is reasonably consistent with the agency's plans regarding the property
  7. Consideration of Local Interest. It has given fair consideration to the interest of communities in or near which the project may be located.
  8. Consultation with Users. In making a decision to undertake any airport development project under the Airport and Airway Improvement Act of 1982, it has undertaken reasonable consultations with affected parties using the airport at which project is proposed.
  9. Public Hearings. In projects involving the location of an airport, an airport runway, or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community. It shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary.
  10. Air and Water Quality Standards. In projects involving airport location, a major runway extension, or runway location it will provide for the Governor of the state in which the project is located to certify in writing to the Secretary that the project will be located, designed, constructed, and operated so as to comply with applicable air and water quality standards. In any case where such standards have not been approved and where applicable air and water quality standards have been promulgated by the Administrator of the Environmental Protection Agency, certification shall be obtained from such Administrator. Notice of certification or refusal to certify shall be provided within sixty (60) days after the project application has been received by the Secretary.
  11. Local Approval. In projects involving the construction or extension of any runway at any general aviation airport located astride a line separating two (2) counties within a single state, it

has received approval for the project from the governing body of all villages incorporated under the laws of that state which are located entirely within five (5) miles of the nearest boundary of the airport.

12. Terminal Development Prerequisites. For projects which include terminal development at a public airport, it has, on the date of submittal of the project grant application, all the safety equipment required for certification of such airport under Section 612 of the Federal Aviation Act of 1958 and all the security equipment required by rule or regulation, and has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning or deplaning from aircraft other than air carrier aircraft.
13. Accounting System, Audit, and Recordkeeping Requirements.
  - a. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the project in connection with which the grant is given or used, and the amount and nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.
  - b. It shall make available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to the grant. The Secretary may require that an appropriate audit be conducted by a recipient. In any case in which an independent audit is made of the accounts of a sponsor relating to the disposition of the proceeds of a grant or relating to the project in connection with which the grant was given or used, it shall file a certified copy of such audit with the Comptroller General of the United States not later than six (6) months following the close of the fiscal year for which the audit was made.
14. Minimum Wage Rates. It shall include, in all contracts in excess of \$2,000 for work on any projects funded under the grant agreement which involve labor, provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a - 276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.
15. Veterans Preference. It shall include, in all contracts for work on any projects funded under the grant agreement which involve labor, such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to veterans of the Vietnam era and disabled veterans as defined in Section 515(c) (1) and (2) of the Airport and Airway Improvement Act of 1982. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates.
16. Conformity to Plans and Specifications. It will execute the project subject to plans, specifications, and schedules approved by the Secretary. Such plans, specifications, and schedules shall be submitted to the Secretary prior to commencement of site preparation, construction, or other performance under this grant agreement, and upon approval by the Secretary, shall be incorporated into this grant agreement. Any modifications to the approved

plans, specifications, and schedules shall also be subject to approval by the Secretary and incorporation into the grant agreement.

17. Construction Inspection and Approval. It will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the Secretary for the project. It shall subject the construction work on any project contained in an approved project application to inspection and approval by the Secretary and such work shall be in accordance with regulations and procedures prescribed by the Secretary. Such regulations and procedures shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary.
18. Planning Projects. In carrying out planning projects:
  - a. It will execute the project in accordance with the approved program narrative contained in the project application or with modifications similarly approved.
  - b. It will furnish the Secretary with such periodic reports as required pertaining to the planning project and planning work activities.
  - c. It will include in all published material prepared in connection with the planning project a notice that the material was prepared under a grant provided by the United States.
  - d. It will make such material available for examination by the public, and agrees that no material prepared with funds under this project shall be subject to copyright in the United States or any other country.
  - e. It will give the Secretary unrestricted authority to publish, disclose, distribute, and otherwise use any of the material prepared in connection with this grant.
  - f. It will grant the Secretary the right to disapprove the sponsor's employment of specific consultants and their subcontractors to do all or any part of this project as well as the right to disapprove the proposed scope and cost of professional services.
  - g. It will grant the Secretary the right to disapprove the use of the sponsor's employees to do all or any part of the project.
  - h. It understands and agrees that the Secretary's approval of this project grant or the Secretary's approval of any planning material developed as part of this grant does not constitute or imply any assurance or commitment on the part of the Secretary to approve any pending or future application for a Federal airport grant.
19. Operation and Maintenance.
  - a. It will suitably operate and maintain the airport and all facilities thereon or connected therewith, with due regard to climatic and flood conditions. Any proposal to temporarily close the airport for nonaeronautical purposes must first be approved by the Secretary. The airport and all facilities which are necessary to serve the aeronautical users of the airport, other than facilities owned or controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be required or prescribed by applicable Federal, state and local agencies for maintenance and operation. It will not cause or permit any activity or action thereon which would interfere with its use for airport purposes.

In furtherance of this assurance, the sponsor will have in effect at all times arrangements for:

- (1) Operating the airport's aeronautical facilities whenever required; and
- (2) Promptly marking and lighting hazards resulting from airport conditions, including temporary conditions; and

- (3) Promptly notifying airmen of any condition affecting aeronautical use of this airport.

Nothing contained herein shall be construed to require that the airport be operated for aeronautical use during temporary periods when snow, flood or other climatic conditions interfere with such operation and maintenance. Further, nothing herein shall be construed as requiring the maintenance, repair, restoration, or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the sponsor.

- b. It will suitably operate and maintain noise program implementation items that it owns or controls upon which Federal funds have been expended.
20. Hazard Removal and Mitigation. It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.
  21. Compatible Land Use. It will take appropriate action, including the adoption of zoning laws, to the extent reasonable, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. In addition, if the project is for noise program implementation, it will not cause or permit any change in land use, within its jurisdiction, that will reduce the compatibility, with respect to the airport, of the noise compatibility program measures upon which Federal funds have been expended.
  22. Economic Nondiscrimination.
    - a. It will make its airport available as an airport for public use on fair and reasonable terms and without unjust discrimination, to all types, kinds, and classes of aeronautical uses.
    - b. In any agreement, contract, lease or other arrangement under which a right or privilege at the airport is granted to any person, firm, or corporation to conduct or engage in any aeronautical activity for furnishing services to the public at the airport, the sponsor will insert and enforce provisions requiring the contractor
      - (1) To furnish said services on a fair, equal, and not unjustly discriminatory basis to all users thereof, and
      - (2) To charge fair, reasonable, and not unjustly discriminatory prices for each unit or service, provided, that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
    - c. Each fixed-based operator at any airport owned by the sponsor shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
    - d. Each air carrier using such airport shall have the right to service itself or to use any fixed-based operator that is authorized or permitted by the airport to serve any air carrier at such airport.

- e. Each air carrier using such airport (whether as a tenant, nontenant, or subtenant of another air carrier tenant) shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to transportation as are applicable to all such air carriers which make similar use of such airport and which utilize similar facilities, subject to reasonable classifications such as tenants or nontenants and signatory carriers and nonsignatory carriers. Classification or status as tenant or signatory shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on air carriers in such classifications or status.
- f. It will not exercise or grant any right or privilege which operates to prevent any person, firm, or corporation operating aircraft on the airport from performing any services on its own aircraft with its own employees (including, but not limited to maintenance, repair, and fueling) that it may choose to perform.
- g. In the event the sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by contractors or concessionaires of the sponsor under these provision.
- h. The sponsor may establish such fair, equal, and not unjustly discriminatory conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport.
- i. The sponsor may prohibit or limit any given type, kind, or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.

23. **Exclusive Rights.** It will permit no exclusive right for the use of the airport by any persons providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply: (1) It would be unreasonably costly, burdensome, or impractical for more than one (1) fixed-based operator to provide such services, and (2) If allowing more than one (1) fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport.

It further agrees that it will not, either directly or indirectly, grant or permit any person, firm or corporation the exclusive right at the airport, or at any other airport now owned or controlled by it, to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under the Airport and Airway Improvement Act of 1982.

24. **Fee and Rental Structure.** It will maintain a fee and rental structure consistent with Assurances 22 and 23, for the facilities and services being provided to the airport users which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport,

taking into account such factors as the volume of traffic and economy of collection. No part of the Federal share of an airport development, airport planning or noise compatibility project for which a grant is made under the Airport and Airway Improvement Act of 1982, the Federal Airport Act or the Airport and Airway Development Act of 1970 shall be included in the rate base in establishing fees, rates, and charges for users of that airport.

25. **Airport Revenue.** If the airport is under the control of a public agency, all revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport. Provided, however, that if covenants or assurances in debt obligations issued before September 3, 1982 by the owner or operator of the airport, or provisions enacted before September 3, 1982 in governing statutes controlling the owner or operator's financing, provide for the use of the revenues from any of the airport owner or operator's facilities, including the airport, to support not only the airport but also the airport owner or operator's general debt obligations or other facilities, then this limitation on the use of all revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.
26. **Reports and Inspections.** It will submit to the Secretary such annual or special financial and operations reports as the Secretary may reasonably request. For airport development projects, it will also make the airport and all airport records and documents affecting the airport, including deeds, leases, operation and use agreement, regulations and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request. For noise program implementation projects, it will also make records and documents relating to the project and continued compliance with the terms, conditions, and assurances of the grant agreement including deeds, leases, agreements, regulations, and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request.
27. **Use of Government Aircraft.** It will make available all of the facilities of the airport developed with Federal financial assistance and all those useable for landing and takeoff of aircraft to the United States for use by government aircraft in common with other aircraft at all times without charge, except, if the use by government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, for the cost of operating and maintaining the facilities used. Unless otherwise determined by the Secretary, or otherwise agreed to by the sponsor and the using agency, substantial use of an airport by government aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the Secretary, would unduly interfere with use of the landing areas by other authorized aircraft, or during any calendar month that:
  - a. Five (5) or more government aircraft are regularly based at the airport or on land adjacent thereto; or
  - b. The total number of movements (counting each landing as a movement) of government aircraft is three hundred (300) or more, or the gross accumulative weight of government aircraft using the airport (the total movements of government aircraft multiplied by gross weights of such aircraft) is in excess of five million (5,000,000) pounds.
28. **Land for Federal Facilities.** It will furnish without cost to the Federal Government for use in connection with any air traffic control or air navigation activities, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate

therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction, operation, and maintenance at Federal expense of space or facilities for such purposes. Such areas or any portion thereof will be made available as provided herein within four (4) months after receipt of a written request from the Secretary.

29. Airport Layout Plan.

- a. It will keep up to date at all times an airport layout plan of the airport showing (1) boundaries of the airport and all proposed additions thereto, together with the boundaries of all offsite areas owned or controlled by the sponsor for airport purposes and proposed additions thereto; (2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars and roads), including all proposed extensions and reductions of existing airport facilities; and (3) the location of all existing and proposed nonaviation areas and of all existing improvements thereon. Such airport layout plan and each amendment, revision, or modification thereof, shall be subject to the approval of the Secretary which approval shall be evidenced by the signature of a duly authorized representative of the Secretary on the face of the airport layout plan. The Sponsor will not make or permit any changes or alteration in the airport or in any of its facilities which are not in conformity with the airport layout plan as approved by the Secretary and which might, in the opinion of the Secretary, adversely affect the safety, utility, or efficiency of the airport.
- b. If a change or alteration in the airport or its facilities is made which the Secretary determines adversely affects the safety, utility, or efficiency of any federally owned, leased, or funded property on or off the airport and which is not in conformity with the airport layout plan as approved by the Secretary, the owner or operator will, if requested by the Secretary (1) eliminate such adverse effect in a manner approved by the Secretary; or (2) bear all costs of relocating such property (or replacement thereof) to a site acceptable to the Secretary and all costs of restoring such property (or replacement thereof) to the level of safety, utility, efficiency, and cost of operation existing before the unapproved change in the airport or its facilities.

30. Civil Rights. It will comply with such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefitting from funds received from this grant. This assurance obligates the sponsor for the period during which Federal financial assistance is extended to the program, except where Federal financial assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon, in which case the assurance obligates the sponsor or any transferee for the longer of the following periods: (a) the period during which the property is used for a purpose for which Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits or (b) the period during which the sponsor retains ownership or possession of the property.

31. Disposal of Land.

- a. For land purchased under grant before, on, after December 30, 1987 for airport noise compatibility purposes, it will dispose of the land, when the land is no longer needed for such purposes, at fair market value at the earliest practicable time. That portion of the proceeds of such disposition which is proportionate to the United States share of acquisition of such land will, at the discretion of the Secretary, 1) be paid to the Secretary

- for deposit in the Trust Fund or 2) be reinvested in an approved noise compatibility project as prescribed by the Secretary.
- b. For land purchased for airport purposes (other than noise compatibility) under grant before, on, or after December 30, 1987, it will, when the land is no longer needed for airport purposes, dispose of such land at fair market value. That portion of the proceeds of such disposition, which is proportionate to the United States share of the cost of acquisition of such land, will be paid to the Secretary for deposit in the Trust Fund.
  - c. Disposition of such land under a. and b. above will be subject to the retention or reservation on any interest or right there in necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with the operation of the airport.
32. Engineering and Design Services. It will award each contract, or subcontract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping, or related services with respect to the project in the same manner as a contract for architectural and engineering services is negotiated under Title IX of the Federal Property and Administrative Services Act of 1949 or an equivalent qualifications-based requirement prescribed for or by the sponsor of the airport.
33. Foreign Market Restrictions. It will not allow funds provided under this grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade Representative as denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.

**AIRPORT HANGAR LAND LEASE AGREEMENT  
HANGAR OWNED BY LESSEE**

THIS LEASE, made this \_\_\_\_\_ day of \_\_\_\_\_ 2016, between the CITY OF SUSANVILLE, a municipal corporation, organized and existing under the laws of the State of California, hereinafter referred to as "Lessor", and Brad Reger, address: P.O. Box 1149 Susanville, CA 96130, County of Lassen, state of California, hereinafter referred to as "Lessee", on the following terms and conditions:

1. Lessor does hereby lease to Lessee, for a term of twenty (20) years from the date hereof, unless sooner terminated as set forth herein, a certain parcel of land described as Hangar Lot # 9, hereinafter referred to as the "Leased Premises", located at the Susanville Municipal Airport and legally described as follows:

SEE EXHIBIT "A" ATTACHED HERETO

(a) Lessee shall provide a hangar building plan for approval prior to any Lease execution for use as an airplane hangar. The rent shall be \$.299077261 per square foot per year, for the area including the space occupied by the hangar only which rent is payable in twelve (12) equal installments monthly in advance on the first day of each and every month; or paid in full within thirty (30) days of annual billing. Said rent shall be increased on an annual basis as set forth below.

(b) Commencing on July 1 following the commencement date of this lease agreement, and continuing each year thereafter ("the Rent Adjustment Date") the rent set forth in Section 1(a) above shall be subject to adjustment as follows: The Consumer Price Index for All Urban Consumers, West Region, for West City Classes B/C, published by the Bureau of Labor Statistics, United States Department of Labor for all items ("index") in effect on January 1, 2005 shall be the Base Index. For each Rent Adjustment Date, the Index in effect immediately before that Rent Adjustment Date ("the Adjustment Index") shall be used for purposes of calculating the amount of adjustment, if any. If the Adjustment Index has increased over the Base Index, the rent payable for the following year and until the next Rent Adjustment Date shall be increased by the same percentage as the Adjustment Index bears to the Base Index.

(c) In no event shall the monthly rent be decreased below the amount specified under Section 2.01(a).

(d) If the Consumer Price Index, as now constituted, compiled, and published, shall cease to be compiled and published during the term of this lease, or is calculated on a significantly different basis following the date of this lease, the most comprehensive official Index published that most closely approximates the rate of inflation shall be used for purposes of computing adjustments under this lease. City's determination as to which official Index to then use shall be final and binding on Lessee.

(e) Any rent due for the portion of the month this Lease commences shall be prorated for that month. Lessee is granted the unlimited lawful right of ingress and egress from the Leased Premises. Lessor hereby reserves a utility easement, including but not limited to, the right to construct, install, place and maintain utility lines for all customary utility services under, over, across, and through the Leased Premises at such locations as Lessor shall require.

2. Lessee shall use the hangar for the storage of one or more aircraft owned or leased by Lessee and shall not sublease the space for storing any property other than aircraft and that aircraft's related personal property. Lessee is allowed to store aircraft owned by Lessee in the airplane hangar, and Lessee's use of the hangar shall be for storage of Lessee's aircraft. In the event Lessee desires to sublease any part of the hangar not otherwise used by Lessee for storage of Lessee's aircraft, then Lessee must obtain the written permission of Lessor to do so and said sub lessee will be required to provide insurance as specified herein. In the event of such sublease, the sublease shall be limited to storage of the sub lessee's aircraft, and personal property related

to said aircraft; Lessee shall pay to Lessor as additional rent an amount equal to twenty percent (20%) of the amount charged by Lessee to Lessee's sub lessee, or \$20.00, whichever is greater. Lessee is prohibited from subleasing the entire hangar for storage of aircraft owned by others. If any provisions of this paragraph 2 are violated, Lessee shall forfeit this Lease. Lessee may, however, store Lessee's aircraft-related personal property in the hangar; provided, however, that Lessee is in fact storing aircraft in the hangar and the storage of Lessee's aircraft-related personal property does not interfere with the storage of such aircraft nor with the ingress and egress of such aircraft to and from the hangar. Lessee shall not conduct any commercial or business activity on the Leased Premises. Lessor shall be notified in writing requesting Lessor's approval in the event Lessee desires to enter into a sublease.

3. Lessee hereby agrees that should Lessee desire to sell Lessee's interest hereunder and the improvements on said Leased Premises, Lessee shall first submit an offer in writing to Lessor to sell said Leased Premises and improvements to Lessor for the same amount as any bona fide offer received by Lessee in connection therewith, or for the fair market value, as the case may be. Lessee's written offer to Lessor shall be submitted to the City Clerk of the City of Susanville, at least fifteen (15) days prior to a regularly scheduled meeting of the City Council of the City of Susanville, and the City Council shall have thirty (30) days after said meeting within which to accept or reject the offer. In the event that the City Council does not act within that period of time, the offer will be deemed rejected. Should Lessor reject the offer, Lessee may sell the hangar and assign Lessee's rights under this Lease, at the same price as offered to the Lessor, and shall, within fifteen (15) days prior to sale, notify Lessor in writing requesting City approval.

4. This Lease does not confer upon the Lessee the right to infringe on any of the commercial rights granted to any other person by the City of Susanville. This Lease is not a Fixed Base Operator or Commercial Operator Agreement.

5. Upon expiration of this Lease, Lessee shall have the right to remove said airplane hangar from said airport within ninety (90) days. Lessee shall continue to pay the rent then in effect during said ninety-day period. In the event the hangar is not moved off the airport within the ninety (90) days, said hangar shall become the property of the City of Susanville. Any holding over by Lessee past the term of this Lease shall not be deemed a renewal or extension of the term of this Lease.

6. In the event the Master Plan for the Susanville Municipal Airport or any amendments thereto, requires the Leased Premises for other use or uses, Lessor will furnish to said Lessee at another site on the same airport, an equivalent amount of land for hangar relocation. Any relocation of Lessee's hangar shall be at Lessee's sole cost and expense.

7. Should the Master Plan for the Susanville Municipal Airport, or any amendments thereto, require moving of Lessee's hangar, such relocation shall not be required until the City of Susanville places the Master Plan into effect, and only when the City Council has agreed that the Master Plan is feasible and should be placed into operation. Any relocation of said hangar, however, shall be made so as not to interfere with any construction or other work occurring under the Master Plan. All cost of hangar relocation shall be the responsibility of Lessee.

8. Any hangar constructed on the Leased Premises shall meet the Uniform Building Code and City Airport Standards as adopted by the City of Susanville and shall have the exterior walls and roof of metal or other fire resistant material to be approved by the Building Official of the City; Lessee shall keep Lessee's hangar in a state of good repair and in such a condition as to not create a fire hazard or a public nuisance. Lessee's hangar may be inspected by the Fire Chief of the City of Susanville, or his or her designated agent, at all reasonable times, and Lessee shall, within fifteen (15) days of being notified that a condition exists in the hangar which in the opinion of the Fire Chief is a fire hazard or danger to the public health and safety, remedy such condition; if Lessee fails to do so, Lessor may do so at the expense of the Lessee.

9. Lessee shall keep the Leased Premise free and clear of inflammable or combustible vegetation or other materials.

10. If Lessee has not yet constructed a hangar on the premises, Lessee shall commence construction of a hangar within six (6) months from the date the Lease is executed or from the date of such demolition or removal, and finish construction within twelve (12) months from the date the Lease is executed. Failure to comply with the provisions of this paragraph shall result in the immediate termination of this Lease.

11. Lessee shall pave a concrete or asphalt apron at the airplane entrance door from the hangar building to the existing runway.

12. Standards, rules, and regulations of City of Susanville Ordinance 87-697, or any amendments thereto, is incorporated herein by reference and shall also govern Lessee's use of the Leased Premises.

13. Lessee covenants and agrees that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Lease, for a purpose for which a Federal Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

14. Lessee further agrees and covenants that (1) no person on the grounds of race, color, gender or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such premises and the furnishing of services thereon, no person on the grounds of race, color, gender or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

15. That in the event of breach of the above nondiscrimination covenants, Lessor shall have the right to terminate the Lease and to reenter and repossess said Leased Premises and the facilities thereon, and hold the same as if said Lease had never been made or issued. This paragraph does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.

16. Lessor reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance.

17. Lessor reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the Lessee in this regard.

18. This Lease shall be subordinate to the provisions and requirements of any existing or further agreements between the Lessor and the United States, relative to the development, operation or maintenance of the airport.

19. There is hereby reserved to the Lessor, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for

navigation or flight through the said airspace or landing at, taking off from or operation on the Susanville Municipal Airport.

20. Lessee will not erect nor permit the erection of any structure or object (e.g., antennas) on the Leased Premises above the mean sea level elevation of 4,180 feet. In the event of a breach of this paragraph, Lessor reserves the right to enter upon the Leased Premises and to remove the offending structure or object, all of which shall be at the expense of the Lessee.

21. Lessee agrees not to make use of the Leased Premises in any manner which might interfere with the landing and taking off of aircraft from the Susanville Municipal Airport, or that would otherwise constitute a hazard.

22. Lessee shall not use, or store, any petroleum products, except small quantities for Lessee's personal use. Lessee shall not dispose on the Leased Premises any petroleum products, or any material or substances now or hereafter classified as hazardous or toxic under any federal, state, or local law, ordinance, regulation, rule, or order which is now or at any time during the term of this Lease applicable to the Leased Premises or Lessee's use and occupation thereof. Notwithstanding the foregoing, Lessor acknowledges and agrees that the presence of fuel, oil and grease located within the proper receptacles of any aircraft properly stored on the Leased Premises shall not be considered a violation of this section.

23. Lessee hereby agrees to indemnify and hold harmless Lessor from any and all claims, demands, and causes of action, including costs and attorneys' fees, including any litigation in connection with the defense of any claim, demand, or cause of action arising out of or resulting from any hazardous, toxic, or petroleum substance, material, or waste, unless caused by the intentional or otherwise tortuous act or omissions of the Lessor. Upon receiving notice of any such claim, demand, or cause of action, Lessee shall, at Lessee's sole cost and expense, immediately cure or commence to cure the problem by taking all action prescribed by applicable federal, state, and local laws, regulations, ordinances, and orders. Lessee's obligation to indemnify Lessor set forth in this paragraph shall survive the expiration or earlier termination of this Lease.

24. This Lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.

25. Upon the date of this Lease, Lessee shall procure and maintain liability insurance of at least \$150,000.00 for one (1) person, \$250,000.00 per occurrence, and property damage insurance of \$100,000.00; provided, however, Lessor may impose additional coverage requirements in amounts to be determined by resolution of the Susanville City Council, and upon adoption of said resolution, Lessee shall have thirty (30) days from written notice thereof to comply with the additional requirements. A Certificate of Insurance evidencing such coverage and naming Lessor, its officers, agents, and employees as additional insured's, shall be filed with the Susanville City Clerk. Said Certificate of Insurance shall guarantee at least ten (10) days advance notice to Lessor, in writing, of any cancellation or reduction of such insurance.

26. A breach by Lessee of any of the terms of this Agreement constitutes a default. In the event of a default, Lessor may at its option terminate Lessee's right to possession of the Leased Premises at any time by any lawful means, including, but not limited to, rights pursuant to Civil Code Section 1159 et seq., as the same may be amended from time to time. No act of Lessor other than by giving written notice to Lessee shall terminate this Lease. In the event of termination of this Lease by Lessor, Lessee shall immediately surrender possession of the Leased Premises to Lessor. In the event of termination of this Lease, Lessor shall be entitled to recover the following amounts from Lessee:

- a. The amount of the unpaid rent accrued through the date of termination of this Lease;
- b. The excess of the amount of rent which accrues between the date of termination of this Lease and the date of the award over the amount of the loss of rent that Lessee proves could have reasonably been avoided;
- c. The present value, on the date of the award, of the excess amount of rent which accrues between the date of the award and the expiration of the term of this Lease over the amount of the loss of rent that Lessee proves could reasonably be avoided, with the present value computed by using an interest rate equal to that which comparable properties earn on the date of the award; and
- d. Any other amount, including court costs, reasonable attorneys' fees, and costs of taking possession of and reletting the Leased Premises necessary to compensate Lessor for all detriment proximately caused by Lessee's default.

In addition to the foregoing rights, Lessor shall have all other rights set forth in this Lease, including but not limited to the right to possession and ownership of the hangar if it is not removed ninety (90) days after the date of termination of this Lease.

27. FAA Grant Assurances: Lessee acknowledges and agrees that Lessor has entered into certain Grant Agreements with the FAA, conditions of which require that all parties leasing property from Lessor agree to be bound by certain sponsor's assurances given by Lessor to the United States Government under the Airport and Airway Improvement Act of 1982, as the same may be amended from time to time. Accordingly, Lessee on behalf of itself, its heirs, personal representatives, successors, and assigns, as additional consideration for the lease of the Leased Premises from Lessor, does hereby covenant and agree for the term of this Lease to be bound by the provisions set forth in Exhibit "B" (Sponsors Assurances) attached hereto and incorporated herein by reference.

This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States Government or any authorized agency thereof, by which Lessor obtains federally-owned surplus property or federal aid for the development, operation, and/or maintenance of the Susanville Municipal Airport. In the event that the FAA or any other federal agency requires modifications or changes in this Lease as a condition for the granting of funds for the improvement of lands and improvements covered by its laws, rules, or regulations, Lessee agrees to consent to the amendments, modifications, revisions, supplements, or deletions of any of the terms, conditions, or requirements of this Lease, as may be required to obtain such funds except, however, that in no event will Lessee be required, pursuant to this section, to agree to any increase in the rents or fees provided for in this Lease. In the event Lessee refuses or fails to consent to the amendments, modifications, revisions, supplements, or deletions submitted to Lessee by Lessor pursuant to the provisions of this Section within thirty (30) days after receipt of the documents evidencing the changes, then this Lease shall be deemed to be amended and/or modified to comply with said changes as though the documents had been signed by all parties.

28. In the event any action, suit or proceeding is brought to collect the rent, fees, charges, or billings due or to become due hereunder, or any portion thereof, to take possession of the Leased Premises, and/or to enforce compliance with this Lease, the prevailing party shall be entitled to reasonable attorneys' fees and court costs.

29. Lessee shall occupy and use the Leased Premises only for the uses and purposes authorized herein. Lessor's grants of the privileges hereunder are not exclusive and Lessor reserves the right to lease other airport property to other individuals and entities for the same uses and privileges granted hereby, or for other uses and purposes.

30. The property interest herein granted to Lessee may be subject to property taxation of the possessory interest created thereby, and, if created, Lessor, by reason of said possessory interest, may be subject to the payment of property taxes levied on said interest. In the event said taxes are so levied, Lessee shall be responsible for payment thereof. Lessee shall pay promptly all lawful taxes and assessments which may be levied by any federal, state, county, city or other tax levying body of any taxable interest of Lessee hereunder, whether on real or personal property of Lessee.

31. The terms hereof shall be binding on the heirs, successors and assigns of the parties hereto. This Lease cannot be transferred or assigned without Lessor's prior written approval.

IN WITNESS WHEREOF, the said Lessor by **Resolution No. 16-5278** of the City Council of the City of Susanville, has caused this Lease to be executed by the Mayor and the Clerk, and the said Lessee has executed this Lease the day and year first above written.

CITY OF SUSANVILLE  
LESSOR:

\_\_\_\_\_  
Brian Wilson, Mayor

Attest:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

LESSEE:

\_\_\_\_\_  
\_\_\_\_\_, Owner

(If a corporation, a corporate resolution authorizing signature must be attached).

Approved as to Form:

\_\_\_\_\_  
Jessica Ryan, City Attorney

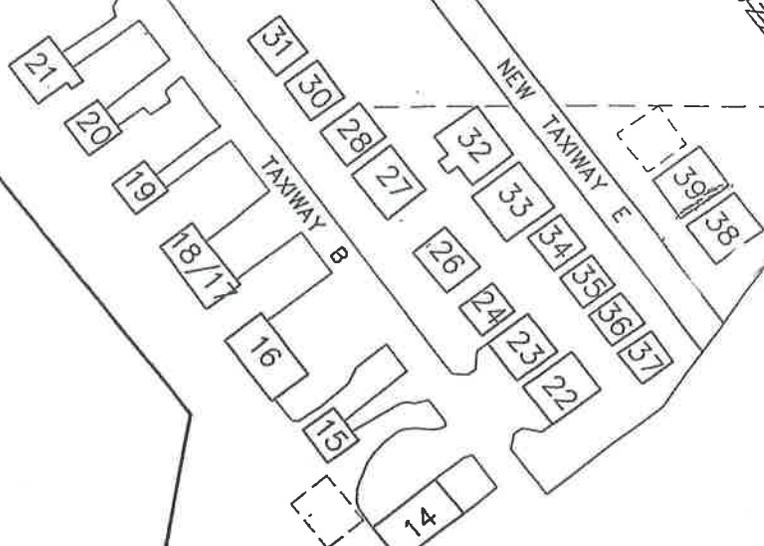
EXHIBIT "A"

Legal Description

Hangar located on Lot #9 at the Susanville Municipal Airport as shown on attached Airport Layout Plan.

MAIN RUNWAY 11-29

TAXIWAY A



NEW TIE DOWN AREA

DIRT RUNWAY 7-25

JOHNSTONVILLE ROAD

HIGHWAY 395

EXHIBIT "B" - SPONSOR'S ASSURANCES  
PART V  
ASSURANCES

Airport and Planning Agency Sponsors

A. General

1. These assurances shall be complied with in the performance of the following grant agreements:
  - a. Airport development, airport planning, and noise program implementation grants to airport sponsors.
  - b. Integrated airport system planning grants to planning agencies.
2. These assurances are required to be submitted as part of the project application by sponsors requesting funds under the provisions of the Airport and Airway Improvement Act of 1982 as amended by the Airport and Airway Safety and Capacity Expansion Act of 1987, or the Aviation Safety and Noise Abatement Act of 1979. As used herein, the term "public agency sponsor" means a public agency with control of a public-use airport and the term "sponsor" includes public agency sponsors and private sponsors.
3. These assurances also are required to be submitted as part of the project application by a sponsor which is both a public agency and a planning agency requesting funds for integrated airport system planning under the provisions of the Airport and Airway Improvement Act of 1982, as amended.
4. Upon acceptance of the grant offer by the sponsor, these assurances are incorporated in and become part of the grant agreement.

B. Duration and Applicability

1. Airport Development or Noise Program Implementation Projects Undertaken by a Public Agency Sponsor. The terms, conditions and assurances of the grant agreement shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise program implementation project, or throughout the useful life of the project items installed within a facility under a noise program implementation project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurance against exclusive rights or the terms, conditions, and assurances with respect to real property acquired with Federal funds. Furthermore, the duration of the Civil Rights assurance shall be as specified in the assurance.
2. Airport Development or Noise Program Implementation Projects Undertaken by a Private Sponsor. The preceding Paragraph 1 also applies to a private sponsor except that the useful life of project items installed within a facility or the useful life of facilities developed or equipment acquired under an airport development or noise program implementation project shall be no less than ten (10) years from the date of the acceptance of Federal aid for the project.

3. Airport Planning Undertaken by a Sponsor. Unless otherwise specified in the grant agreement, only Assurances 1, 2, 3, 5, 6, 13, 18, 30, 32, 33, and 34 in Section C apply to planning projects. The terms, conditions and assurances of the grant agreement shall remain in full force and effect during the life of the project.

C. Sponsor Certification. The sponsor hereby assures and certifies, with respect to this grant that:

1. General Federal Requirements: It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

#### Federal Legislation

- a. Federal Aviation Act of 1958 - 49 U.S.C. 1301, et seq.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq. 1/
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act - 5 U.S.C. 1501, et seq. 2/
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 - 42 U.S.C. 4601, et seq. 1/ 2/
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f). 1/
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469C
- h. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a. 1/
- i. Rehabilitation Act of 1973 - 29 U.S.C. 794
- j. Civil Rights Act of 1964 - Title VI - 42 U.S.C. 2000d through d-4.
- k. Aviation Safety and Noise Abatement Act of 1979, 49 U.S.C. 2101, et seq.
- l. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- m. Architectural Barriers Act of 1968 - 42 U.S.C. 4151, et seq. 1/
- n. Airport and Airway Improvement Act of 1982, as amended 49 U.S.C. 2201, et seq.
- o. Power plant and Industrial Fuel Use Act of 1978 - Section 403 -42 U.S.C. 8373.
- p. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq. 1/
- q. Copeland Antikickback Act - 18 U.S.C. 874 1/
- r. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq. 1/
- s. Endangered Species Act - 16 U.S.C. 668(a), et seq. 1/
- t. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq. 2/

#### Executive Orders

Executive Order 12372 - Intergovernmental Review of Federal Programs

Executive Order 11246 - Equal Employment Opportunity

#### Federal Regulations

- a. 49 CFR Part 21 - Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964.
- b. 49 CFR Part 23 - Participation by Minority Business Enterprise in Department of Transportation Programs.

- c. 49 CFR Part 24 - Uniform Relocation and Real Property Acquisition for Federal and Federally Assisted Programs.
- d. 49 CFR Part 27 - Non-Discrimination on the Basis of Handicap in Programs and Activities Receiving or Benefitting from Federal Financial Assistance.
- e. 49 CFR Part 29 - Debarments, Suspensions, and Voluntary Exclusions.
- f. 29 CFR Part 1 - Procedures for Predetermination of Wage Rates.
- g. 29 CFR Part 3 - Contractors or Subcontractors on Public Buildings or Public Works Financed in Whole or Part by Loans or Grants from U.S.
- h. 29 CFR Part 5 - Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction.
- i. 41 CFR Part 60 - Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Federal and Federally-assisted Contracting Requirements).
- j. 14 CFR Part 150 - Airport Noise Compatibility Planning.

1/ these laws do not apply to planning projects.

2/ these laws do not apply to private sponsors.

#### Office of Management and Budget Circulars

- a. A-87 - Cost Principles Applicable to Grants and Contracts with State and Local Governments.\*
- b. A-102 - Uniform Requirements for Assistance to State and Local Governments.\*
- c. A-128 - Audits of State and Local Governments.

Specific assurances required to be included in grant agreements by any of the above laws, regulations or circulars are incorporated by reference in the grant agreement.

#### 2. Responsibility and Authority of the Sponsor.

- a. **Public Agency Sponsor:** It has legal authority to apply for the grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.
- b. **Private Sponsor:** It has legal authority to apply for the grant and to finance and carry out the proposed project and comply with all terms, conditions, and assurances of this grant agreement. It shall designate an official representative, and shall in writing direct and authorize that person to file this application, including all understandings and assurances

contained therein; to act in connection with the application; and to provide such additional information as may be required.

3. Sponsor Fund Availability. It has sufficient funds available for that portion of the project cost which are not to be paid by the United States. It has sufficient funds available to assure operation and maintenance of items funded under the grant agreement which it will own or control.
4. Good Title. It holds good title, satisfactory to the Secretary, to the landing area of the airport or site thereof, or will give assurance satisfactory to the Secretary that good title will be acquired.

\* OMB Circulars A-87 and A-102 contain requirements for state and local governments receiving Federal assistance. Any requirement levied upon state and local governments by those two circulars shall also be applicable to private sponsors receiving Federal assistance under the Airport and Airway Improvement Act of 1982, as amended.

For noise program implementation projects to be carried out on the property of the sponsor, it holds good title satisfactory to the Secretary to that portion of the property upon which Federal funds will be expended or will give assurance to the Secretary that good title will be obtained.

5. Preserving Rights and Powers.
  - a. It will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in the grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.
  - b. It will not sell, lease, encumber or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit A to this application or, for a noise program implementation project, that portion of the property upon which Federal funds have been expended, for the duration of the terms, conditions, and assurances in the grant agreement without approval by the Secretary. If the transferee is found by the Secretary to be eligible under the Airport and Airway Improvement Act of 1982 to assume the obligations of the grant agreement and to have the power, authority, and financial resources to carry out all such obligations, the sponsor shall insert in the contract or document transferring or disposing of the sponsor's interest, and make binding upon the transferee, all of the terms, conditions and assurances contained in this grant agreement.
  - c. For all noise program implementation projects which are to be carried out by another unit of local government or are on property owned by a unit of local government other than the sponsor, it will enter into an agreement with that government. Except as otherwise specified by the Secretary, that agreement shall obligate that government to the same terms, conditions, and assurances that would be applicable to it if it applied directly to the FAA for a grant to undertake the noise program implementation project. That agreement and changes thereto must be satisfactory to the Secretary. It will take steps to enforce this agreement against the local government if there is substantial non-compliance with the terms of the agreement.

- d. For noise program implementation projects to be carried out on privately owned property, it will enter into an agreement with the owner of that property which includes provisions specified by the Secretary. It will take steps to enforce this agreement against the property owner whenever there is substantial non-compliance with the terms of the agreement.
  - e. If the sponsor is a private sponsor, it will take steps satisfactory to the Secretary to ensure that the airport will continue to function as a public-use airport in accordance with these assurances for the duration of these assurances.
  - f. If an arrangement is made for management and operation of the airport by any agency or person other than the sponsor or an employee of the sponsor, the sponsor will reserve sufficient rights and authority to insure that the airport will be operated and maintained in accordance with the Airport and Airway Improvement Act of 1982, the regulations and the terms, conditions and assurances in the grant agreement and shall insure that such arrangement also requires compliance therewith.
6. Consistency with Local Plans. The project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport. For noise program implementation projects, other than land acquisition, to be carried out on property not owned by the airport and over which property another public agency has land use control or authority, the sponsor shall obtain from each such agency a written declaration that such agency supports that project and the project is reasonably consistent with the agency's plans regarding the property
  7. Consideration of Local Interest. It has given fair consideration to the interest of communities in or near which the project may be located.
  8. Consultation with Users. In making a decision to undertake any airport development project under the Airport and Airway Improvement Act of 1982, it has undertaken reasonable consultations with affected parties using the airport at which project is proposed.
  9. Public Hearings. In projects involving the location of an airport, an airport runway, or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community. It shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary.
  10. Air and Water Quality Standards. In projects involving airport location, a major runway extension, or runway location it will provide for the Governor of the state in which the project is located to certify in writing to the Secretary that the project will be located, designed, constructed, and operated so as to comply with applicable air and water quality standards. In any case where such standards have not been approved and where applicable air and water quality standards have been promulgated by the Administrator of the Environmental Protection Agency, certification shall be obtained from such Administrator. Notice of certification or refusal to certify shall be provided within sixty (60) days after the project application has been received by the Secretary.
  11. Local Approval. In projects involving the construction or extension of any runway at any general aviation airport located astride a line separating two (2) counties within a single state, it

has received approval for the project from the governing body of all villages incorporated under the laws of that state which are located entirely within five (5) miles of the nearest boundary of the airport.

12. Terminal Development Prerequisites. For projects which include terminal development at a public airport, it has, on the date of submittal of the project grant application, all the safety equipment required for certification of such airport under Section 612 of the Federal Aviation Act of 1958 and all the security equipment required by rule or regulation, and has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning or deplaning from aircraft other than air carrier aircraft.
13. Accounting System, Audit, and Recordkeeping Requirements.
  - a. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the project in connection with which the grant is given or used, and the amount and nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.
  - b. It shall make available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to the grant. The Secretary may require that an appropriate audit be conducted by a recipient. In any case in which an independent audit is made of the accounts of a sponsor relating to the disposition of the proceeds of a grant or relating to the project in connection with which the grant was given or used, it shall file a certified copy of such audit with the Comptroller General of the United States not later than six (6) months following the close of the fiscal year for which the audit was made.
14. Minimum Wage Rates. It shall include, in all contracts in excess of \$2,000 for work on any projects funded under the grant agreement which involve labor, provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a - 276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.
15. Veterans Preference. It shall include, in all contracts for work on any projects funded under the grant agreement which involve labor, such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to veterans of the Vietnam era and disabled veterans as defined in Section 515(c) (1) and (2) of the Airport and Airway Improvement Act of 1982. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates.
16. Conformity to Plans and Specifications. It will execute the project subject to plans, specifications, and schedules approved by the Secretary. Such plans, specifications, and schedules shall be submitted to the Secretary prior to commencement of site preparation, construction, or other performance under this grant agreement, and upon approval by the Secretary, shall be incorporated into this grant agreement. Any modifications to the approved

plans, specifications, and schedules shall also be subject to approval by the Secretary and incorporation into the grant agreement.

17. Construction Inspection and Approval. It will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the Secretary for the project. It shall subject the construction work on any project contained in an approved project application to inspection and approval by the Secretary and such work shall be in accordance with regulations and procedures prescribed by the Secretary. Such regulations and procedures shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary.
18. Planning Projects. In carrying out planning projects:
  - a. It will execute the project in accordance with the approved program narrative contained in the project application or with modifications similarly approved.
  - b. It will furnish the Secretary with such periodic reports as required pertaining to the planning project and planning work activities.
  - c. It will include in all published material prepared in connection with the planning project a notice that the material was prepared under a grant provided by the United States.
  - d. It will make such material available for examination by the public, and agrees that no material prepared with funds under this project shall be subject to copyright in the United States or any other country.
  - e. It will give the Secretary unrestricted authority to publish, disclose, distribute, and otherwise use any of the material prepared in connection with this grant.
  - f. It will grant the Secretary the right to disapprove the sponsor's employment of specific consultants and their subcontractors to do all or any part of this project as well as the right to disapprove the proposed scope and cost of professional services.
  - g. It will grant the Secretary the right to disapprove the use of the sponsor's employees to do all or any part of the project.
  - h. It understands and agrees that the Secretary's approval of this project grant or the Secretary's approval of any planning material developed as part of this grant does not constitute or imply any assurance or commitment on the part of the Secretary to approve any pending or future application for a Federal airport grant.
19. Operation and Maintenance.
  - a. It will suitably operate and maintain the airport and all facilities thereon or connected therewith, with due regard to climatic and flood conditions. Any proposal to temporarily close the airport for nonaeronautical purposes must first be approved by the Secretary. The airport and all facilities which are necessary to serve the aeronautical users of the airport, other than facilities owned or controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be required or prescribed by applicable Federal, state and local agencies for maintenance and operation. It will not cause or permit any activity or action thereon which would interfere with its use for airport purposes.

In furtherance of this assurance, the sponsor will have in effect at all times arrangements for:

- (1) Operating the airport's aeronautical facilities whenever required; and
- (2) Promptly marking and lighting hazards resulting from airport conditions, including temporary conditions; and

- (3) Promptly notifying airmen of any condition affecting aeronautical use of this airport.

Nothing contained herein shall be construed to require that the airport be operated for aeronautical use during temporary periods when snow, flood or other climatic conditions interfere with such operation and maintenance. Further, nothing herein shall be construed as requiring the maintenance, repair, restoration, or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the sponsor.

- b. It will suitably operate and maintain noise program implementation items that it owns or controls upon which Federal funds have been expended.
20. Hazard Removal and Mitigation. It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.
  21. Compatible Land Use. It will take appropriate action, including the adoption of zoning laws, to the extent reasonable, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. In addition, if the project is for noise program implementation, it will not cause or permit any change in land use, within its jurisdiction, that will reduce the compatibility, with respect to the airport, of the noise compatibility program measures upon which Federal funds have been expended.
  22. Economic Nondiscrimination.
    - a. It will make its airport available as an airport for public use on fair and reasonable terms and without unjust discrimination, to all types, kinds, and classes of aeronautical uses.
    - b. In any agreement, contract, lease or other arrangement under which a right or privilege at the airport is granted to any person, firm, or corporation to conduct or engage in any aeronautical activity for furnishing services to the public at the airport, the sponsor will insert and enforce provisions requiring the contractor
      - (1) To furnish said services on a fair, equal, and not unjustly discriminatory basis to all users thereof, and
      - (2) To charge fair, reasonable, and not unjustly discriminatory prices for each unit or service, provided, that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
    - c. Each fixed-based operator at any airport owned by the sponsor shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
    - d. Each air carrier using such airport shall have the right to service itself or to use any fixed-based operator that is authorized or permitted by the airport to serve any air carrier at such airport.

- e. Each air carrier using such airport (whether as a tenant, nontenant, or subtenant of another air carrier tenant) shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to transportation as are applicable to all such air carriers which make similar use of such airport and which utilize similar facilities, subject to reasonable classifications such as tenants or nontenants and signatory carriers and nonsignatory carriers. Classification or status as tenant or signatory shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on air carriers in such classifications or status.
  - f. It will not exercise or grant any right or privilege which operates to prevent any person, firm, or corporation operating aircraft on the airport from performing any services on its own aircraft with its own employees (including, but not limited to maintenance, repair, and fueling) that it may choose to perform.
  - g. In the event the sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by contractors or concessionaires of the sponsor under these provision.
  - h. The sponsor may establish such fair, equal, and not unjustly discriminatory conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport.
  - i. The sponsor may prohibit or limit any given type, kind, or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.
23. Exclusive Rights. It will permit no exclusive right for the use of the airport by any persons providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply: (1) It would be unreasonably costly, burdensome, or impractical for more than one (1) fixed-based operator to provide such services, and (2) If allowing more than one (1) fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport.

It further agrees that it will not, either directly or indirectly, grant or permit any person, firm or corporation the exclusive right at the airport, or at any other airport now owned or controlled by it, to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under the Airport and Airway Improvement Act of 1982.

24. Fee and Rental Structure. It will maintain a fee and rental structure consistent with Assurances 22 and 23, for the facilities and services being provided to the airport users which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport,

taking into account such factors as the volume of traffic and economy of collection. No part of the Federal share of an airport development, airport planning or noise compatibility project for which a grant is made under the Airport and Airway Improvement Act of 1982, the Federal Airport Act or the Airport and Airway Development Act of 1970 shall be included in the rate base in establishing fees, rates, and charges for users of that airport.

25. Airport Revenue. If the airport is under the control of a public agency, all revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport. Provided, however, that if covenants or assurances in debt obligations issued before September 3, 1982 by the owner or operator of the airport, or provisions enacted before September 3, 1982 in governing statutes controlling the owner or operator's financing, provide for the use of the revenues from any of the airport owner or operator's facilities, including the airport, to support not only the airport but also the airport owner or operator's general debt obligations or other facilities, then this limitation on the use of all revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.
26. Reports and Inspections. It will submit to the Secretary such annual or special financial and operations reports as the Secretary may reasonably request. For airport development projects, it will also make the airport and all airport records and documents affecting the airport, including deeds, leases, operation and use agreement, regulations and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request. For noise program implementation projects, it will also make records and documents relating to the project and continued compliance with the terms, conditions, and assurances of the grant agreement including deeds, leases, agreements, regulations, and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request.
27. Use of Government Aircraft. It will make available all of the facilities of the airport developed with Federal financial assistance and all those useable for landing and takeoff of aircraft to the United States for use by government aircraft in common with other aircraft at all times without charge, except, if the use by government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, for the cost of operating and maintaining the facilities used. Unless otherwise determined by the Secretary, or otherwise agreed to by the sponsor and the using agency, substantial use of an airport by government aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the Secretary, would unduly interfere with use of the landing areas by other authorized aircraft, or during any calendar month that:
  - a. Five (5) or more government aircraft are regularly based at the airport or on land adjacent thereto; or
  - b. The total number of movements (counting each landing as a movement) of government aircraft is three hundred (300) or more, or the gross accumulative weight of government aircraft using the airport (the total movements of government aircraft multiplied by gross weights of such aircraft) is in excess of five million (5,000,000) pounds.
28. Land for Federal Facilities. It will furnish without cost to the Federal Government for use in connection with any air traffic control or air navigation activities, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate

therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction, operation, and maintenance at Federal expense of space or facilities for such purposes. Such areas or any portion thereof will be made available as provided herein within four (4) months after receipt of a written request from the Secretary.

29. Airport Layout Plan.

- a. It will keep up to date at all times an airport layout plan of the airport showing (1) boundaries of the airport and all proposed additions thereto, together with the boundaries of all offsite areas owned or controlled by the sponsor for airport purposes and proposed additions thereto; (2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars and roads), including all proposed extensions and reductions of existing airport facilities; and (3) the location of all existing and proposed nonaviation areas and of all existing improvements thereon. Such airport layout plan and each amendment, revision, or modification thereof, shall be subject to the approval of the Secretary which approval shall be evidenced by the signature of a duly authorized representative of the Secretary on the face of the airport layout plan. The Sponsor will not make or permit any changes or alteration in the airport or in any of its facilities which are not in conformity with the airport layout plan as approved by the Secretary and which might, in the opinion of the Secretary, adversely affect the safety, utility, or efficiency of the airport.
- b. If a change or alteration in the airport or its facilities is made which the Secretary determines adversely affects the safety, utility, or efficiency of any federally owned, leased, or funded property on or off the airport and which is not in conformity with the airport layout plan as approved by the Secretary, the owner or operator will, if requested by the Secretary (1) eliminate such adverse effect in a manner approved by the Secretary; or (2) bear all costs of relocating such property (or replacement thereof) to a site acceptable to the Secretary and all costs of restoring such property (or replacement thereof) to the level of safety, utility, efficiency, and cost of operation existing before the unapproved change in the airport or its facilities.

30. Civil Rights. It will comply with such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefitting from funds received from this grant. This assurance obligates the sponsor for the period during which Federal financial assistance is extended to the program, except where Federal financial assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon, in which case the assurance obligates the sponsor or any transferee for the longer of the following periods: (a) the period during which the property is used for a purpose for which Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits or (b) the period during which the sponsor retains ownership or possession of the property.

31. Disposal of Land.

- a. For land purchased under grant before, on, after December 30, 1987 for airport noise compatibility purposes, it will dispose of the land, when the land is no longer needed for such purposes, at fair market value at the earliest practicable time. That portion of the proceeds of such disposition which is proportionate to the United States share of acquisition of such land will, at the discretion of the Secretary, 1) be paid to the Secretary

- for deposit in the Trust Fund or 2) be reinvested in an approved noise compatibility project as prescribed by the Secretary.
- b. For land purchased for airport purposes (other than noise compatibility) under grant before, on, or after December 30, 1987, it will, when the land is no longer needed for airport purposes, dispose of such land at fair market value. That portion of the proceeds of such disposition, which is proportionate to the United States share of the cost of acquisition of such land, will be paid to the Secretary for deposit in the Trust Fund.
  - c. Disposition of such land under a. and b. above will be subject to the retention or reservation on any interest or right there in necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with the operation of the airport.
32. Engineering and Design Services. It will award each contract, or subcontract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping, or related services with respect to the project in the same manner as a contract for architectural and engineering services is negotiated under Title IX of the Federal Property and Administrative Services Act of 1949 or an equivalent qualifications-based requirement prescribed for or by the sponsor of the airport.
33. Foreign Market Restrictions. It will not allow funds provided under this grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade Representative as denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.

Reviewed by: YH City Administrator  
       City Attorney

       Motion only  
       Public Hearing  
  X   Resolution  
       Ordinance  
       Information

**Submitted By:** Heidi Whitlock, Assistant to the City Administrator

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** **Resolution No. 16-5279** authorizing execution of Commercial Operator's Agreement for Hangar #9 with PHI Air Medical, LLC.

**PRESENTED BY:** Jared G. Hancock, City Administrator

**SUMMARY:** In February 2016, staff received written notification that PHI Air Medical, LLC. had been subleasing Hangar #9 from Brad Reger (owner). At this time, PHI Air Medical, LLC. is required to enter into a Commercial Operator Agreement with the City.

**FISCAL IMPACT:** \$10,579.45 annually.

**ACTION REQUESTED:** Motion approving Resolution No. 16-5279 executing a Commercial Operator Agreement with PHI Air Medical, LLC.

**ATTACHMENTS:** Resolution No. 16-5279  
Commercial Operator Agreement with PHI Air Medical, LLC.

**RESOLUTION NUMBER 16-5279**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE**  
**AUTHORIZING A COMMERCIAL OPERATOR AGREEMENT, HANGAR #9 WITH PHI**  
**AIR MEDICAL, LLC FOR FIVE (5) YEARS**

**WHEREAS**, current City policy requires that all Commercial Operators leasing or subleasing hangars located at the Susanville Municipal Airport have a Commercial Operator Agreement under the City; and

**WHEREAS**, PHI Air Medical, LLC, is subleasing Hangar #9 owned by Brad Reger.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council hereby authorizes the Commercial Operator's Agreement for Hangar #9 with PHI Air Medical, LLC. , for five (5) years and authorizes the Mayor to execute these Agreements on behalf of the City of Susanville.

APPROVED: \_\_\_\_\_  
Brian R. Wilson, Mayor

ATTEST: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing Resolution No. 16-5279 was adopted at a regular meeting of the City Council of the City of Susanville, held on the 6th day of April 2016 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Ryan, City Attorney

## COMMERCIAL OPERATOR'S LICENSE AGREEMENT

THIS AGREEMENT, made this 1st day of October, 2015, by and between the CITY OF SUSANVILLE, a municipal corporation and political subdivision of the State of California, hereinafter referred to as "Owner", and PHI Air Medical, LLC. hereinafter referred to as "Commercial Operator";

1. Commercial Operator, by this Agreement, is hereby authorized to perform the following activities at the airport:

### LIST AUTHORIZED ACTIVITIES

2. The term of this Agreement is for a period of 5 years, from October 1, 2015 to and including September 30, 2020.
3. This Agreement includes the provisions of those certain "Minimum Standards for Commercial Operators" adopted by the City of Susanville by Resolution, for general aviation at said Airport, a copy of which is attached hereto as Exhibit "A", and any amendments, deletions, or additions thereto. These minimum standards and requirements for fixed base operations shall be required of and shall apply equally to all such commercial operators at said Airport. Owner specifically covenants and -agrees that all such services defined in the above referenced minimum standards shall .be confined to commercial operators meeting said standards. Said minimum standards stipulate the nature and amount of aeronautical activities and services required of all commercial operators at said airport, insurance requirements, financial investment required, and the specific licenses required.
4. Commercial Operator agrees to operate all activities authorized by this Agreement for the use and benefit of the public and to make available to the public on fair and reasonable terms all services on a fair, equal and not unjustly discriminatory basis to all users thereof and to charge fair, reasonable and not unjustly discriminatory prices for each unit of service, provided, Commercial Operator may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers. Commercial Operator agrees that rates and charges for such activities and services shall be fixed by Commercial Operator subject to the City Council's concurrence and approval. In the event of disputes as to reasonableness, it is expressly understood by Commercial Operator that final determination will be reserved to the City of Susanville. All services offered by Commercial Operator will be performed with promptness and courtesy. It is expressly understood that nothing herein shall be construed to grant or authorized the granting of exclusive rights within the meaning of Section 308 (a) of the Federal Aviation Act of 1958, as amended. Commercial Operator shall be responsible for the actions of all its employees and shall render Owner safe and harmless from responsibility for any actions of negligence of Commercial Operator's employees engaged in these aeronautical activities and service. Commercial Operator will obtain at its own

## COMMERCIAL OPERATOR'S LICENSE AGREEMENT

### Page 2

- expense public liability insurance with limits of \$1,000,000.00 as to personal injury or death, and \$1,000,000.00 as to property damages to protect Owner from actions resulting from the Commercial Operator's activities at the Airport. Commercial Operator further agrees to keep the area where Commercial Operator performs the activities in a neat and orderly manner, free of offensive or dangerous materials or conditions.
5. Commercial Operator agrees to pay to Owner for the privilege of doing business at the Airport the following sums and amounts:
    - A. Commercial Operator shall pay to City the sum of Ten Thousand Five Hundred Seventy Nine Dollars and Forty Five Cents (\$10,579.45) per year in advance, which sum is due on October 1, 2015, and on the first day of October in each subsequent year, said amount shall be increased annually by Five percent (5%) commencing with the payment due October 1, 2016.
  6. This Agreement is not assignable.
  7. It is expressly agreed by Commercial Operator and Owner that all rights, privileges and liabilities imposed on both parties by this Agreement are subject and subordinate to any conditions, restrictions, limitations, rules or regulations of any agreement or any contract pertaining to said Airport between the United States Government or any Department or Agency thereof having jurisdiction over said Airport and the Owner, and to rules and regulations of the State of California.
  8. Commercial Operator does hereby agree that (a) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefit of, or be otherwise subjected to discrimination in the use of said services, (b) that Commercial Operator shall render such services and activities reflected herein in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended. It is further agreed that in the event of breach of any of this nondiscrimination clause, Owner shall have the right to terminate this Commercial Operator Agreement.
  9. The property interest herein of Commercial Operator may be subject to property taxation of the possessory interest created thereby, and, if created, Commercial Operator, by reason of said possessory interest, may be subject to the payment of property taxes levied on said interest. In the event said taxes are so levied, Commercial Operator shall be responsible for payment thereof.
  10. Commercial Operator shall not permit dumping of hazardous waste at the Airport premises.

**COMMERCIAL OPERATOR'S LICENSE AGREEMENT**  
**Page 3**

11. This Agreement will be governed by and construed in accordance with the laws of the State of California.

CITY OF SUSANVILLE

COMMERCIAL OPERATOR

\_\_\_\_\_  
Brian R. Wilson, Mayor  
(Approved by City Council  
on \_\_\_\_\_)

\_\_\_\_\_  
By: David Motzkin, President 3/15/2016

ATTEST:

\_\_\_\_\_  
Gwenna MacDonald, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Jessica Ryan, City Attorney

EXHIBIT "A"

MINIMUM STANDARDS FOR COMMERCIAL OPERATORS OR COMMERCIAL TENANTS  
AT THE SUSANVILLE MUNICIPAL AIRPORT, SUSANVILLE, CALIFORNIA

The following minimum standards and requirements for commercial activities have been established in the public interest for the safe and efficient operation of the Susanville Municipal Airport; to enhance its orderly growth; to preclude the granting of an exclusive right to conduct an aeronautical activity in violation of Section 308(a) of the Federal Aviation Act of 1958; to conform to Title VI of the Civil Rights Act of 1964 and Part 21 of the Department of Transportation Regulations; and to assure to all users the availability of Airport property on fair and reasonable terms and without unjust discrimination.

1. A COMMERCIAL OPERATOR is defined as any person, firm, or corporation not leasing property from the City and who is not a COMMERCIAL TENANT or who is not otherwise the Airport Operator/Manager, performing any of the functions or furnishing any of the services as hereinafter set out for COMMERCIAL OPERATORS at the Susanville Municipal Airport. No person, firm, or corporation shall engage in any commercial activity at the Susanville Municipal Airport unless a written contract is entered into with the City of Susanville, and unless the commercial activity is done in full compliance with the standards, rules and regulations herein set forth.

2. A COMMERCIAL TENANT is defined as any person, firm, or corporation leasing property from the City at the Susanville Municipal Airport who is not a COMMERCIAL OPERATOR or who is not otherwise the Airport Operator/Manager. A COMMERCIAL TENANT may hangar his aircraft on his leased property subject to the provisions of Category "G - COMMERCIAL TENANT" and Category "H - FLYING CLUB TENANT" hereof.

3. All COMMERCIAL OPERATORS or COMMERCIAL TENANTS shall protect the public generally, the customers or clients of COMMERCIAL OPERATORS or COMMERCIAL TENANTS, and the City of

Susanville from any and all lawful damages, claims, or liability and shall carry comprehensive general liability insurance issued by an insurance company authorized to do business in the State of California. The City of Susanville shall be named as an additional insured. Policies must be approved by the City Administrator and a certificate of insurance thereof furnished to the City. It is further understood that as circumstances in the future dictate, the City may require an increase in bodily injury and property damage insurance. City shall increase the limits of insurance coverage only after a hearing before the City Council following input from the Airport Commission.

4. A COMMERCIAL OPERATOR or COMMERCIAL TENANT, as part of his/her application for establishing a commercial venture at Susanville Municipal Airport, shall provide to the City Administrator a confidential financial statement, including copies of three (3) years of Federal Tax Return filings.

5. Any person, firm, or corporation capable of meeting the minimum standards set forth herein for any of the stated COMMERCIAL OPERATOR or COMMERCIAL TENANT Categories A through G is eligible to become a COMMERCIAL OPERATOR or COMMERCIAL TENANT at the Airport, provided there is space available, subject to the execution of a written lease for not less than five (5) years containing such terms and conditions as may be determined by the City. A COMMERCIAL OPERATOR or COMMERCIAL TENANT shall not engage in any business or activity on the Airport other than that authorized under his particular Category or Categories. Any COMMERCIAL OPERATOR or COMMERCIAL TENANT desiring to extend his operation into more than one category or to discontinue operations in a category, shall first apply in writing to the City for permission to do so, setting forth in detail the reasons and conditions for the request. The City shall then grant or deny the request, in writing, on such terms and conditions as the City deems to be prudent and proper under the circumstances. Each COMMERCIAL OPERATOR or COMMERCIAL TENANT shall provide his own buildings, personnel and equipment, and other requirements as

herein stated upon land leased from the City.

6. All construction required of such COMMERCIAL OPERATORS COMMERCIAL TENANTS shall be in accordance with design and construction standards required or established by the City for the facility or activity involved. Title to any and all buildings and appurtenances, which may be built on City property, shall be as follows: when and if subject COMMERCIAL OPERATOR or COMMERCIAL TENANT vacates its lease for any reason, COMMERCIAL OPERATOR or COMMERCIAL TENANT may either remove said buildings COMMERCIAL OPERATOR or COMMERCIAL TENANT owns at COMMERCIAL OPERATOR'S or COMMERCIAL TENANT'S expense within ninety (90) days or building shall revert to non-commercial status.

7. All COMMERCIAL OPERATORS or COMMERCIAL TENANTS shall at their own expense, pay all taxes and assessments against any buildings or other structures placed on the premises by them, as well as all taxes and assessments against the personal property used by them in their operations.

8. All COMMERCIAL OPERATORS or COMMERCIAL TENANTS shall abide by and comply with all state, county and city laws and ordinances, the rules and regulations of the City and the rules and regulations of the State and Federal Aviation Administration.

9. All COMMERCIAL OPERATORS or COMMERCIAL TENANTS shall provide and pay for all lights, gas, electric current, water, sewer charges and garbage collection charges used or incurred anywhere in or about their subject premises, and shall pay the charges made therefore by the suppliers thereof promptly when due.

10. All agreements and leases between such COMMERCIAL OPERATORS or COMMERCIAL TENANTS and the City shall be subordinate to the provisions of any existing or future agreement between the City of Susanville and the United States, relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of Federal funds for the development of the Airport properties.

11. No COMMERCIAL OPERATOR or COMMERCIAL TENANT shall sublease or sublet any premises leased by such COMMERCIAL OPERATOR or COMMERCIAL TENANT from the City, or assign any such lease, without the prior written approval of the City, and any such subletting or assignment shall be subject to all of the minimum standards herein set forth.

12. In the event the COMMERCIAL OPERATOR or COMMERCIAL TENANT sublets any portion of his lease, the sublessee must agree to assume the full obligations of the lease as set out herein and must agree to fully cooperate with the City in seeing that these standards are complied with. The sublessee shall immediately comply with any reasonable request or direction of the City as it relates to the enforcement of these standards.

13. In the event that the COMMERCIAL OPERATOR or COMMERCIAL TENANT or sublessee fails to comply fully with these standards or fails to comply with the reasonable request or direction of the City as it relates to these standards, said COMMERCIAL OPERATOR, or COMMERCIAL TENANT, or sublessee shall be in default. If said default continues for more than ten (10) days after notice of said default, the City may terminate the lease. Said COMMERCIAL OPERATOR or COMMERCIAL TENANT is responsible for the performance of the sublessee.

14. COMMERCIAL OPERATORS or COMMERCIAL TENANTS shall have the right to use common areas of the Airport, including runways, taxiways, aprons, roadways, floodlights, landing lights, signals and other conveniences for the takeoff, flying and landing of aircraft of COMMERCIAL OPERATOR or COMMERCIAL TENANT.

15. COMMERCIAL OPERATORS or COMMERCIAL TENANTS will, at all times during the continuance of the term of their agreements and/or leases and any renewal or extension thereof, conduct, operate and maintain for the benefit of the public, the commercial operation provided for and described therein, and all aspects and parts and services thereof as defined and set forth, and will make all such services available to the public and that it will devote its best efforts for the accomplishment of such

purposes and that it will at all times make charges to patrons and customers for all merchandise or materials and services furnished or rendered, but that it will refrain from imposing or levying excessive or otherwise unreasonable charges or fees for any facilities or services. Notwithstanding anything contained in a lease that may be or appear to the contrary it is expressly understood and agreed that the rights granted thereunder are nonexclusive and the lessor reserves the right to grant similar privileges to another COMMERCIAL OPERATOR or COMMERCIAL TENANT upon formal application by that COMMERCIAL OPERATOR or COMMERCIAL TENANT, and upon demonstration of compliance with Paragraphs 3 and 4 herein.

16. The City reserves the right to take any actions it considers necessary to protect the aerial approaches to the Airport against obstructions, together with the right to prevent any commercial operator from erecting, or permitting to be erected, any building, sign, or other structure on the Airport which, in the opinion of the City, would limit the usefulness of the Airport or constitute a hazard to aircraft.

17. All contracts and leases between such COMMERCIAL OPERATORS or COMMERCIAL TENANTS and the City shall be subordinate to the right of the City during time of war or national emergency to lease the landing area or any part thereof to the United States Government for military or naval use, and, if any such lease is so made, the provisions of any contracts or leases between such with the provisions of the lease to the Government, shall be suspended.

17. The provisions of these standards shall in no way negate or cause to be null or void existing leases with COMMERCIAL OPERATORS or COMMERCIAL TENANTS at the Susanville Municipal Airport. Upon the adoption of these standards, any new leases and/or agreements entered into and any amendments to existing leases and/or agreements shall be in accordance with the standards.

18. The COMMERCIAL OPERATOR or COMMERCIAL TENANT shall

remove from the Airport or otherwise dispose of in a manner approved by the City all garbage, debris, and other waste material (whether solid or liquid) arising out of its occupancy of the premises or out of its operations. Said COMMERCIAL OPERATOR or COMMERCIAL TENANT shall keep and maintain his premises in a neat and orderly manner; shall keep the grass cut and the buildings painted. Any garbage debris waste which may be temporarily stored in the open shall be kept in suitable garbage or waste receptacles, the same to be made of metal and equipped with tight fitting covers and to be of a design safely and properly to contain whatever may be placed therein. The COMMERCIAL OPERATOR or COMMERCIAL TENANT shall use extreme care when effecting removal of all such waste. No COMMERCIAL OPERATOR or COMMERCIAL TENANT shall permit any dumping of hazardous waste on City property or on property leased or rented by COMMERCIAL OPERATOR or COMMERCIAL TENANT.

20. The City reserves the right to further develop or improve all areas of the Airport as it sees fit, regardless of the desires or views of any COMMERCIAL OPERATORS or COMMERCIAL TENANTS, and without interference or hindrance from any such COMMERCIAL OPERATORS or COMMERCIAL TENANTS.

21. The City reserves the right to enter upon any premises leased to COMMERCIAL OPERATORS or COMMERCIAL TENANTS at reasonable times for the purpose of making such inspections as it may deem expedient, to the proper enforcement of any covenant or condition of any COMMERCIAL OPERATOR'S or COMMERCIAL TENANT'S contract or lease agreement.

22. The City recognizes the rights of any person, firm or corporation operating aircraft on the Airport with its own employees (including, but not limited to maintenance and repair) that it may choose to perform. However, said persons, firms or corporations may not hire any vendors of service, aircraft parts, or fuel from off-airport premises to perform services on the Airport. Aircraft fueling accomplished under this provision shall be in strict accordance with any safety regulations and/or

ordinance as referenced in Paragraph 10.

23. Aircraft fueling shall be in strict accordance with any safety regulations and/or ordinance as referenced in Paragraph 10. Any person, firm or corporation fueling any aircraft at the Airport must carry insurance in the amounts set forth in Paragraph 3 hereof. Any fuel dispensed shall be subject to a City charge of per gallon flowage fee. When fuel is purchased through the City tank, this flowage fee is automatically included in the price City charges. Any other circumstances will require the flowage fee to be paid. It is not the City's intent by this provision to allow for fuel dispensing other than through City's tanks at the Airport.

24. Stickers and security - current stickers issued by City shall be required on all authorized vehicles before they shall be permitted upon the Airport apron, runway, and hangar area; the gate to this area shall be locked at all times and accessed by a key. Reasonable fees for the sticker and the key shall be established by City Council resolution.

#### COMMERCIAL OPERATOR OR COMMERCIAL TENANT CATEGORIES

##### CATEGORY A. FLIGHT INSTRUCTION AND AIRCRAFT RENTAL:

A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category shall:

1. Have available an instructor pilot with appropriate and current Federal Aviation Administration pilot and medical certificates.

2. Provide, and at all times maintain, a minimum of one (1) aircraft owned or leased or rented by and under the exclusive control of this COMMERCIAL OPERATOR or COMMERCIAL TENANT which are properly equipped and Federal Aviation Administration certificated for flight instruction and rental.

3. Demonstrate the continuing ability to meet requirements for certification of flight instructor personnel and aircraft by the Federal Aviation Administration.

4. Assure that personnel operating rental equipment obtained from the subject COMMERCIAL OPERATOR or COMMERCIAL TENANT have appropriate and current Federal Aviation Administration pilot and approved medical certificates.

5. Independent individual flight instructors not performing said services on a full time basis shall be exempt.

CATEGORY B. AIRCRAFT CHARTER AND TAXI:

A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category shall:

1. Conduct all aircraft charter and taxi service in compliance with Federal Aviation Regulations, particularly Regulation Part 135.

2. Lease from the City sufficient land on which to locate all improvements required by specific operations of the COMMERCIAL OPERATOR or COMMERCIAL TENANT.

CATEGORY C. CROP DUSTING AND SPRAYING:

A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category shall:

1. Furnish suitable arrangements for the safe loading, unloading, storage and containment of noxious chemical materials.

2. Furnish a minimum of one (1) aircraft with pilot. The aircraft will be suitably equipped for agricultural operations with adequate safeguard against spillage of chemical spray mixtures or materials on runways and taxiways or dispersal by wind force to other operational areas of the Airport. The pilot will have appropriate and current Federal Aviation Administration pilot and approved medical certificates. The COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category shall comply with all Federal Environmental Protective Agency and State requirements pertaining to handling, storage and disposal of chemicals.

3. Lease from the City sufficient land on which to locate all improvements required by the specific operations of the COMMERCIAL OPERATOR or COMMERCIAL TENANT.

CATEGORY D. AIRCRAFT SALES:

A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category

shall:

1. Have a minimum of one (1) fully qualified demonstrator pilot employed with current and appropriate Federal Aviation Administration pilot and approved medical certificates.

2. Lease from the City sufficient land on which to locate all improvements required by the specific operations of the COMMERCIAL OPERATOR or COMMERCIAL TENANT.

CATEGORY E. AIRCRAFT, ENGINE, PROPELLER, AND ACCESSORY MAINTENANCE:

A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category shall:

1. Furnish facilities and equipment for airframe and power plant repairs with at least one (1) duly Federal Aviation Administration certified A & P Mechanic and such other personnel as may be necessary. Such airframe and power plant repair shall include facilities for both major and minor repair of aircraft and engines used in aviation in this area.

2. Lease from the City sufficient land on which to locate all required improvements.

3. A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this category may engage in the buying and selling of new and used aircraft, aircraft parts and equipment.

CATEGORY F. RADIO AND INSTRUMENT:

A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category shall:

1. Lease from the City sufficient land on which to locate all required improvements.

2. Have available a Federal Aviation Administration certificated technician in the field of aircraft electronics and/or aircraft instruments with proper Federal Communications Commission license to conduct complete aircraft transmitter, receiver and antennae repair.

3. Provide satisfactory arrangements for access to and storage of aircraft being worked on.

CATEGORY G. SALE OF AVIATION PETROLEUM PRODUCTS AND RAMP

SERVICE:

A COMMERCIAL OPERATOR or COMMERCIAL TENANT in this Category shall:

1. Lease from the City sufficient land on which to locate intended storage and dispensing equipment, and buildings.

2. Have personnel on full-time duty during normal business hours of not less than eight (8) hours a day, seven (7) days a week, adequately trained to operate fuel dispensing equipment in accordance with all applicable local, state, and Federal laws. (Additional requirement: On-call service may be required during all hours of darkness if the Airport is equipped with runway lights.)

3. Demonstrate capability to efficiently and safely conduct or move aircraft to such areas and park them. Compliance with FAA and EPA standards shall be adhered to at all times.

4. Comply with the following criteria regarding fuel storage and dispensing facilities:

a. Purchase from City fuel tanks such fuel as is needed by COMMERCIAL OPERATOR or COMMERCIAL TENANT for sale to COMMERCIAL OPERATOR'S or COMMERCIAL TENANT'S customers;

b. Maintain separate trucking equipment for each grade of fuel, meeting all applicable safety requirements with reliable metering devices subject to independent inspection, and with a pumping efficiency capable of servicing all aircraft normally using the Airport.

c. Provide adequate fire extinguishers in all fuel dispensing areas and on all mobile dispensing trucks.

5. Have the following minimum amounts of liability insurance in force:

Bodily Injury	<u>\$5,000,000.00</u>	per person
	<u>\$5,000,000.00</u>	per accident
Property damage	<u>\$5,000,000.00</u>	each accident

CATEGORY H. COMMERCIAL TENANT:

A COMMERCIAL TENANT in this category shall:

1. Lease from the City or provide under terms agreeable to the City sufficient land for his exclusive use which shall be improved in accordance with applicable zoning pertaining to the Airport.

2. Be responsible that aircraft owned by him or operated from the property leased or occupied by him are operated by personnel who hold appropriate and current Federal Aviation Administration pilot and approved medical certificates.

CATEGORY I. FLYING CLUBS:

In an effort to foster and promote flying for pleasure, develop skills in aeronautics, including pilotage, navigation, and an awareness and appreciation of aviation requirements and techniques the Category of Flying Clubs is added to the Rules, Regulations and Minimum Standards of the Susanville Municipal Airport.

All flying clubs desiring to base their aircraft and operate on the Airport must comply with the applicable provisions of these Standards and Requirements. However, they shall be exempt from regular COMMERCIAL OPERATOR or COMMERCIAL TENANT requirements upon satisfactory fulfillment of the conditions contained herein.

1. The club shall be a non-profit entity (corporation, association or partnership) organized for the express purpose of providing its members with an aircraft, or aircrafts, for their personal use and enjoyment only. The ownership of the aircraft, or aircrafts, must be vested in the name of the flying club (or owned ratably by all of its members). The property rights of the members of the club shall be equal and no part of the net earnings of the club will inure to the benefit of any member in any form (salaries, bonuses, etc.). The club may not derive greater revenue from the use of its aircraft than the amount necessary for the operations, maintenance and replacement of its aircraft.

2. Flying clubs may not offer or conduct charter, air

taxi, or rental of aircraft operations. They may not conduct aircraft flight instruction except for regular members, and only members of the flying club may operate the aircraft. No flying club shall permit its aircraft to be utilized for the giving of flight instruction to any person, including members of the club owning the aircraft, when such person pays or becomes obligated to pay for such instructions, except when instruction is given by a lessee based on the Airport and who provides flight training. Any qualified mechanic who is a registered member and part owner of the aircraft owned and operated by a flying club shall not be restricted from doing maintenance work on aircraft owned by the club and the club does not become obligated to pay for such maintenance work except that such mechanics and instructors may be compensated by credit against payment of dues or flight time.

3. All flying clubs and their members are prohibited from leasing or selling any goods or services whatsoever to any person or firm other than a member of such club at the Airport except that said flying club may sell or exchange its capital equipment.

4. The flying club, with its permit request, shall furnish the Airport Management a copy of its charter and by-laws, articles of association, partnership agreement or other documentation supporting its existence; a roster, or list of members, including names of officers and directors, to be revised on a semi-annual basis; evidence of insurance in the form of a certificate of insurance in the following amounts: Public Liability (\$5,000.00) per person; public liability (\$5,000,000.00) per accident; property damage (\$5,000,000.00), with hold harmless clause in favor of the Airport, its officers and employees (ten (10) days prior notice of cancellation shall be filed with Airport management); number and type of aircraft; evidence that aircraft are properly certificated; evidence that ownership is vested in the club; and operating rules of the club. The books and other records of the club shall be available for review at any reasonable time by Airport management or his/her authorized agent.

4. A flying club, at any airport controlled by this same Airport management shall abide by and comply with all Federal, State and local laws, ordinances, regulations and the Rules and Regulations of this Airport management.

5. A flying club which violates any of the foregoing, or permits one (1) or more members to do so, will be required to terminate all operations at all Airports controlled by the City.

Reviewed by: KA City Administrator  
\_\_\_\_\_ City Attorney

- Motion only
- Public Hearing
- Resolution
- Ordinance
- Information

**Submitted by:** Kristin Shepard, Administrative Specialist

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**PRESENTED BY:** Dan Newton, Public Works Director

**SUBJECT:** **Resolution Number 16-5280** authorizing a fee waiver and street closure in support of the Lassen Family Services 3<sup>rd</sup> Annual "Walk a Mile in Their Shoes" and "Chili Cook Off" event on April 16, 2016 10:30 A.M. to 12:00 P.M

**PRESENTED BY:** Dan Newton, Public Works Director

**SUMMARY:** Lassen Family Services is sponsoring their 3rd Annual "Walk a Mile in Their Shoes" and "Chili Cook Off" event scheduled for Saturday, April 16, 2016. They are requesting City approval to hold the event at the Community Center where the participants will walk from Weatherlow towards Main Street, down Main Street to Grand Avenue, and then west on North Street where they will finish at Memorial Park. The Chili Cook Off will be held at Memorial Park, and the event is conducted to raise awareness for Crime Victims' rights. Lassen Family Services is requesting a street closure to general traffic along the route for the safety of the participants, and they will notify the impacted businesses of the street closures.

Lassen Family Services has requested a fee waiver for the use of Memorial Park and Community Center in support of the event, for a total fee waiver of \$270. In addition, it will be necessary for Public Works and Police Department staff to assist in setting up and taking down barricades and to assist with traffic control.

**FISCAL IMPACT:**

Public Works Dept. (3 Public Works employees)	\$ 474
Police Dept. (3 patrol staff)	<u>\$ 378</u>
<b>TOTAL ESTIMATED COST</b>	<b>\$ 852</b>

**ACTION REQUESTED:** Motion to adopt Resolution Number 16-5280 authorizing a fee waiver and street closure in support of the Lassen Family Services 3<sup>rd</sup> Annual "Walk a Mile in Their Shoes" and "Chili Cook Off" event on April 16, 2016 10:30 A.M. to 12:00 P.M

**ATTACHMENTS:** Resolution Number 16-5280  
Letter of request submitted by Lassen Family Services, Inc.

**RESOLUTION NUMBER 16-5280**  
**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUSANVILLE**  
**AUTHORIZING A FEE WAIVER AND STREET CLOSURE IN SUPPORT OF THE**  
**LASSEN FAMILY SERVICES 3RD ANNUAL WALK A MILE IN THEIR SHOES AND**  
**CHILI COOK OFF EVENT ON APRIL 16, 2016 FROM 10:30 A.M. TO 12:00 P.M.**

**WHEREAS**, Lassen Family Services is sponsoring their 3rd annual "Walk a Mile in Their Shoes" and "Chili Cook Off" event schedule for April 16, 2016 from 10:00 a.m. to 2:00 p.m.; and

**WHEREAS**, the "Walk a Mile in Their Shoes" and "Chili Cook Off" event is a benefit event to raise awareness for Crime Victims' Rights in the City of Susanville; and

**WHEREAS**, Lassen Family Services has requested a fee waiver in the amount of \$270 for the use of Memorial Park and the Community Center on April 16, 2016 to hold the event; and

**WHEREAS**, Lassen Family Services has requested closures to general traffic to ensure the safety of participants in the area between North Weatherlow Street, North Street, Main Street and Grand Avenue on April 16, 2016, from 10:30 a.m. to 12:00 p.m. to conduct the walk.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Susanville as follows:

- 1) That the user fee of \$270 for the use of Memorial Park and the Community Center on April 16, 2016, is waived for Lassen Family Services 3<sup>rd</sup> Annual "Walk a Mile in Their Shoes" and "Chili Cook Off" event.
- 2) That the closure of Weatherlow Street from Main to North Street, on North Street from Weatherlow to Grand Avenue, and on Grand Avenue from North to Main Street on Saturday, April 16, 2016, from 10:30 a.m. to 12:00 p.m to general vehicle traffic except emergency vehicles is authorized.

APPROVED: \_\_\_\_\_  
Brian R. Wilson, Mayor

ATTEST: \_\_\_\_\_  
Gwenna MacDonald, City Clerk

The foregoing **Resolution No. 16-5280** was adopted at a regular meeting of the City Council of the City of Susanville, held on the 6th day of April 2016 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAINING:

---

Gwenna MacDonald, City Clerk

APPROVED AS TO FORM:

---

Jessica Ryan, City Attorney



## LASSEN FAMILY SERVICES

**P.H.A.S.E. into Empowerment**

P.O. Box 710 • 1306 Riverside Drive • Susanville, CA 96130

March 29, 2016

City of Susanville  
Department of Public Works  
720 South Street  
Susanville, CA

Re: Letter Of Intent  
Request for Encroachment Permit

Dear City of Susanville,

This is a request for permission for an Encroachment Permit to approve the 3<sup>rd</sup> annual Walk a Mile in Their Shoes and Chili Cook Off event scheduled for, April 16<sup>th</sup>, 2016, sponsored by Lassen Family Services; and authorizing closure of 1) N. Weatherlow St from Main St. to North St. 2) North St. from Weatherlow St. to Grant Ave., and 3) Grant Ave. from North St. to Main St. on Saturday April 16<sup>th</sup>, from 10:30 am to 12:00 pm to general vehicle traffic except emergency vehicles.

Lassen Family Services, Inc. thanks you for your continued support.

Sincerely,

Victoria Child and Kirby Lively  
Executive Assistant and Compliance Coordinator

**Crisis  
Line**  
24 Hours

**Domestic  
Violence  
Assistance  
Program**

**Sexual  
Assault  
Rape  
Crisis**

**Child  
Abuse  
Treatment  
CHAT**

**Court  
Appointed  
Special  
Advocates**



Reviewed by: JSH City Administrator  
       City Attorney

Motion Only  
 Public Hearing  
 Resolution  
 Ordinance  
 Information

**Submitted By:** Gwenna MacDonald, City Clerk

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** Lassen County Chamber of Commerce Annual Main Street Cruise Classic Car and Motorcycle Show N' Shine on Saturday, June 25, 2016, from 2-7 p.m.

**PRESENTED BY:** Jared G. Hancock, City Administrator

**SUMMARY:** The Lassen County Chamber of Commerce hosts an annual Main Street Cruise event which has been very successful, and has traditionally been located on Main Street in Uptown Susanville. This year, the Chamber has requested that the event be held at Memorial Park on Saturday, June 25, 2016 between 2 and 7 p.m. The cars would be showcased in the park, and the Chamber will work with City staff to mark and flag the areas of the park that will need to be avoided when parking the cars for display. The event would include a car show n' shine, live band, arts and crafts show, food and beverages, to include beer and wine. A letter of authorization from the City is required as part of the application process through Department of Alcoholic Beverage Control. The Chamber will be responsible for obtaining the license. In addition, the Chamber has requested a fee waiver for use of the park and bandstand area for the event and has requested that the ball field be reserved to avoid any capacity issues.

**FISCAL IMPACT:** None.

**ACTION REQUESTED:** Motion to authorize the following:

1. The use of Memorial Park for the Annual Main Cruise Classic Car Show on June 25, 2016 from 2-7 p.m.;
2. Waiver of park and ball field reservation fees in the amount of \$151
3. City approval for alcohol concessions

**ATTACHMENTS:** None.

AGENDA ITEM NO. 91

Reviewed by: JH City Administrator  
       City Attorney

  X   Motion Only  
       Public Hearing  
       Resolution  
       Ordinance  
       Information

**Submitted By:** Gwenna MacDonald, City Clerk

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** Lassen County Historical Society Request

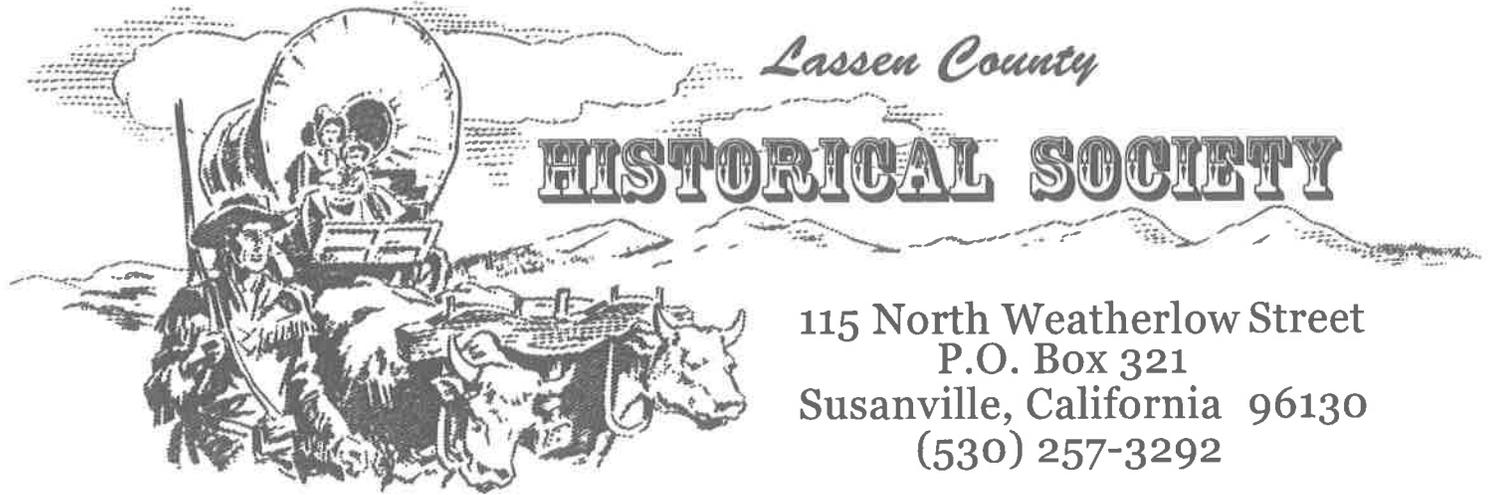
**PRESENTED BY:** Jared G. Hancock, City Administrator

**SUMMARY:** The Lassen County Historical Society has requested the use of the Community Center to conduct board meetings on the second Tuesday of every month at 4:00 p.m. On occasion, special or emergency meetings may also be held, and those additional uses will be subject to availability of the facility. The Lassen County Historical Society is a non-profit organization and has requested a waiver of the fee for use of the facility. The normal user fee for the Community Center is \$70 plus a \$50 refundable deposit.

**FISCAL IMPACT:** \$ 70.00 per month

**ACTION REQUESTED:** Motion to authorize waiver of \$70 fee for use of the Community Center by the Lassen Historical Society.

**ATTACHMENTS:** Lassen County Historical Society letter of request.



*Lassen County*

# HISTORICAL SOCIETY

115 North Weatherlow Street  
P.O. Box 321  
Susanville, California 96130  
(530) 257-3292

February 29, 2016

Jared Hancock  
City Hall  
66 North Lassen Street  
Susanville, CA 96130

Dear Mr. Hancock,

The Lassen County Historical Society would like to request the use of city facilities for our non-profit corporation board meetings. We generally meet the second Tuesday of every month at 4:00 P.M., with Special and Emergency meetings as deemed necessary by our president.

We would like the use of the Council Chamber or the Community Center or any other appropriate site.

Sincerely,

*Susan Couso*

Susan Couso  
Secretary

Janet Corey, President • Edith Summers, Vice-President



Lynda Alberico, Treasurer • Susan Couso, Secretary

We are a Federally and State recognized 501(c)(3) non profit corporation.

Reviewed by: JSH City Administrator  
\_\_\_\_\_ City Attorney

\_\_\_\_\_ Motion only  
\_\_\_\_\_ Public Hearing  
\_\_\_\_\_ Resolution  
\_\_\_\_\_ Ordinance  
X Information

**Submitted By:** Deborah Savage, Finance Manager

**Action Date:** April 6, 2016

**CITY COUNCIL AGENDA ITEM**

**SUBJECT:** Selection of Auditing Firm for the 2015-2016 Fiscal Year.

**PRESENTED BY:** Deborah Savage, Finance Manager

**SUMMARY:** At the January 6<sup>th</sup> meeting, Council directed staff to advertise a Request for Proposal (RFP) for Professional Auditing Services. Staff published the RFP on the California Society of Municipal Finance Officers (CSMFO) website, the City's website and mailed the document to the listed auditing firms on the attachment to the staff report. The City's RFP requested proposals to be submitted for a one year contract with a possible two year extension.

The City received one late submission from Patel & Associates and two proposals within the scope of the RFP from Badawi & Associates, Certified Public Accountants and The Pun Group, Accountants and Advisors. Badawi and the Pun Group submitted proposals in accordance with the RFP requirements and have the professional experience in governmental accounting and implementing new Governmental Accounting Standards Board (GASB) updates. Both firms were interviewed by the City Administrator and Finance Manager during the week of March 14<sup>th</sup>.

Badawi & Associates price for the City audit is \$23,000 and \$3,000 for a Single Audit. The Pun Groups price for the City audit is \$28,000 and \$3,000 for a Single Audit. The City will only be required to have a Single Audit if it more than \$750,000 of federal awards. Previously \$500,000.

Badawi & Associates has performed the City's independent audit for the last three years and is \$5,000 less that the Pun Group. While there is no requirement to change auditing firms every three years, the Council has expressed an interest in rotating firms more frequently. Both firms have the training and experience to provide the requested services and we are seeking direction to go with the lower cost option or to change firms.

**FISCAL IMPACT:** \$23,000-\$28,000 cost of independent audit

**ACTION REQUESTED:** Direction to staff

**ATTACHMENTS:** Cost proposal Badawi & Associates  
Cost proposal The Pun Group

**Proposed Pricing**

**NOT-TO-EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE**

In accordance with the Request for Proposals for Professional Auditing Services issued by City of Susanville, the firm referenced below hereby submits the following cost proposal:

Schedule of Professional Fees and Expenses to Support the Total All-Inclusive Maximum Price				
Positions	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partner	30	\$ 200	\$ 150	\$ 4,500
Manager	60	\$ 150	\$ 120	\$ 7,200
Supervisory Staff	85	\$ 125	\$ 85	\$ 7,225
Staff	115	\$ 100	\$ 70	\$ 8,050
Admin	5	\$ 75	\$ 65	\$ 325
I.T Specialist	5	\$ 150	\$ 140	\$ 700
Sub-Total				\$ 28,000
Out-of-Pocket Expenses				-
<b>Total</b>				<b>\$ 28,000</b>

All-Inclusive Maximum Price			
	FY 2015-16	FY 2016-17 (Optional)	FY 2017-18 (Optional)
City	\$ 23,000	\$ 23,690	\$ 23,690
Lassen County Air Pollution Control District	\$ 2,000	\$ 2,060	\$ 2,060
Single Audit	\$ 3,000	\$ 3,090	\$ 3,090
<b>Total</b>	<b>\$ 28,000</b>	<b>\$ 28,840</b>	<b>\$ 28,840</b>

**Rates for Additional Professional Services:**

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates. While it can be difficult to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services, we want to provide the following information regarding our published billing rates:

Position	Rate
Partner	\$ 250.00
EQR	250.00
Manager	200.00
Senior	150.00
Staff	125.00
IT	150.00
Admin.	90.00

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### SECTION VII – TOTAL ALL-INCLUSIVE MAXIMUM PRICE

#### Certification

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed, at no additional cost to the City of Susanville.

**Name of Firm:** The Pun Group, LLP  
 Certified Public Accountants and Business Advisors  
 200 Sandpointe Avenue, Suite 600  
 Santa Ana, California 92707

**Certification:** Kenneth H. Pun is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the City of Susanville.



Kenneth H. Pun, CPA, CGMA | Managing Partner  
 The Pun Group, LLP

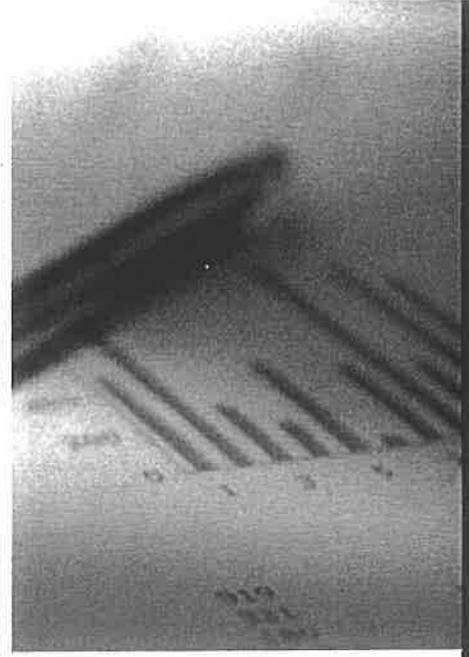
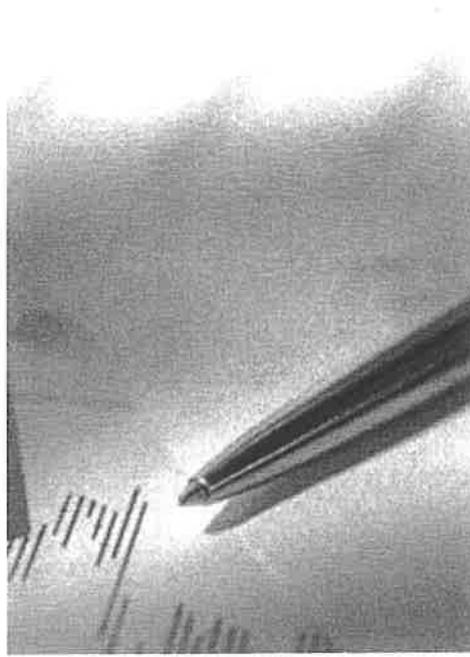
#### Total All-Inclusive Maximum Price

Following are our total fixed fees For Fiscal Year Ending June 30, 2016 with the option to extend for two (2) additional years.

#### APPENDIX B

All-Inclusive Maximum Price by Report	Optional Years		
	FY 2015-16	FY 2016-17	FY 2017-18
City	\$ 28,000	\$ 28,840	\$ 29,705
Lassen County Air Pollution Control District Audit	\$ 1,500	\$ 1,545	\$ 1,591
Single Audit*	\$ 3,000	\$ 3,090	\$ 3,183
<b>Total</b>	<b>\$ 32,500</b>	<b>\$ 33,475</b>	<b>\$ 29,705</b>

\*Based on the information provided by the City of Susanville and our understanding of the engagement, the City is subject to the Single Audit Act in accordance with OMB Uniform Guidance. The Single Audit fees are based on (1) one major program. If the City of Susanville applies for additional funding subsequent to the preparation of this proposal, the fee to audit additional major programs will be \$3,000 each. The number of programs determined to be "major" will be based on OMB Uniform Guidance. The Engagement Team will discuss this with the City's Management before starting Single Audit work.



# PROPOSAL

## CITY OF SUSANVILLE SUSANVILLE, CALIFORNIA

*Proposal to Perform Audit Services*

For Fiscal Year Ending June 30, 2016 with the option to extend for two (2) additional years

**FEBRUARY 19, 2016**

**Kenneth H. Pun, CPA, CGMA**  
Managing Partner  
200 East Sandpointe Avenue, Suite 600, Santa Ana, CA 92707  
**Phone:** (949) 777-8801 | **Fax:** (949) 777-8850 | **Email:** ken.pun@pungroup.com  
California CPA License Number: PAR 7601  
Federal Identification Number: 46-4016990



# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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February 19, 2016

City of Susanville  
Jared G. Hancock | City Administrator  
66 North Lassen Street  
Susanville, CA 96130

Dear Jared G. Hancock:

Please allow us to introduce our Firm and share our qualifications and proposed audit plan for the City of Susanville (the "City") pursuant to your Request for Proposal for Audit Services For Fiscal Year Ending June 30, 2016 with the option to extend for two (2) additional years. The Pun Group, LLP, formerly known as Pun & McGeady LLP (the "Firm"), due to consolidation, has the knowledge and experience necessary to become the City's next public accounting firm, and the work plan to ensure a smooth audit process.

The Pun Group, LLP, *formerly known as Pun & McGeady LLP*, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm that is comprised of forty (40) professionals who work on a *full-time basis* and provide auditing, accounting, and advisory services. **Our Partners Group have served governmental agencies since 1989**, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California. Out of the forty (40) professionals, thirty (30) of them are focused in the Government Assurance Practice. The Firm has offices in Orange County, San Diego, Palm Desert (California) and Phoenix (Arizona).

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing.

Our *Orange County* office, located at 200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707 will perform the requested services for the City. In this location we count on 4 partners, 2 senior managers, 1 manager, 2 supervisors, 2 seniors, 4 professional staff and 2 administrative staff. However, we may assign additional staff from our San Diego or Palm Desert (California) offices to the engagement, at no additional cost to the City. No subcontractors will be used. Our local office performs Auditing and Accounting, Business and Tax Consulting, Business Valuation, Financial Recovery and Forensic, Litigation Support and Tax Services.

The Orange County office has been responsible for several engagements, performing audits similar to the type of audits requested by the City. A list of the five (5) most significant ones, along with names and telephone numbers of client officials can be found on page 11 of this proposal.

This letter is an acknowledgement of the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit, and issue the necessary auditor's report within the time periods outlined by the City.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California cities and counties
2. Prodigious experience serving governmental entities
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas

I will serve as your primary contact for contract negotiations. I am the managing partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name: Mr. Kenneth H. Pun, CPA, CGMA  
Position: Managing Partner  
Address: 200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
Telephone: (949) 777-8801  
Email: ken.pun@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name: Mr. Gary M. Caporicci, CPA, CGFM, CFF  
Position: Partner  
Address: 200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
Telephone: (949) 777-8802  
Email: gary.caporicci@pungroup.com

The Pun Group is the right choice for the City of Susanville because we are experienced and focused in your industry.

- We have audited and consulted many California cities and municipalities.
- We have assisted many clients in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- Our depth of resources and specific government experience are substantial, we are committed to deploying these resources and our experience on behalf of the City. Simply put, the City will become one of our most important clients, and will receive the priority service it deserves.
- **We have assigned Gary Caporicci, our GASB implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the City in the implementation of GASB's new Pension Standards.**

In order to promote audit efficiency, the Firm uses the following **technology** in providing auditing services:

- ✓ The Firm uses **ProSystem fx® Engagement** for audit documentation. It allows real time synchronization of the workpapers and real time quality control review.
- ✓ **Citrix Receiver** allows the engagement team to access the Firm's secure network through internet anywhere they are.
- ✓ The Firm uses **ProSystem fx® Portal** for file sharing with the client. Provided by client, items are uploaded to this secured site and are downloaded and reviewed prior to the fieldwork.

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the City's daily operations. The Firm will:

- Develop a solid familiarity with the City's operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain an open communication line between the Engagement Team and the City's Management.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently.

**The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.**

This proposal meets the requirements of the City's Request for Proposal. This letter and the accompanying proposal represent a *firm and irrevocable offer valid for a period of 180 days*.

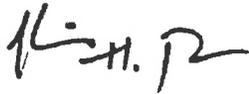
Proof of current General Liability, Business Auto Liability, Professional Liability, and Workers' Compensation insurance can be found at the Appendices section under this proposal. We will provide a copy of our Certificate of Insurance with coverages and amounts specified in the contract with the City within 10 calendar days after the notice of contract award.

Also, upon the notice of contract award the Firm will obtain a valid Business License with the City of Susanville.

If you have any questions about the proposal or the Firm, do not hesitate to contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP  
Certified Public Accountants and Business Advisors

A handwritten signature in black ink, appearing to read "K.H. Pun", written in a cursive style.

Kenneth H. Pun, CPA, CGMA  
Managing Partner

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# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### SECTION I – INDEPENDENCE

The Pun Group, LLP (the “Firm”) requires all employees to adhere to strict independence standards in relation to the Firm’s clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group, LLP certifies that it is independent of the City of Susanville (the “City”). The Firm meets independence requirements defined by the United States Government Accountability Office’s (U.S. GAO’s) *Government Auditing Standards*, and the American Institute of Certified Public Accountants (AICPA).

The Firm has had no professional relationships involving the City of Susanville for the past five (5) years. The Firm has no business interests which will conflict in any way with maintaining independence in regards to the City of Susanville.

The Firm will give the City of Susanville written notice of any professional relationships entered into during the period of the agreement.

### SECTION II – LICENSE TO PRACTICE IN CALIFORNIA

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO’s *Government Auditing Standards* to perform the proposed audits.



# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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### SECTION III – FIRM QUALIFICATIONS AND EXPERIENCE

#### *About The Pun Group, LLP*

The Pun Group, LLP, *formerly known as Pun & McGeady LLP*, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm that is comprised of forty (40) professionals who work on a *full-time basis* and provide auditing, accounting, and advisory services. **Our Partners Group have served governmental agencies since 1989**, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California. Out of the forty (40) professionals, thirty (30) of them are focused in the Government Assurance Practice. The Firm has offices in Orange County, San Diego, Palm Desert (California) and Phoenix (Arizona).

The combination of hands-on experience and practical knowledge exercised by our audit professionals makes the Firm unique in our field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients succeed.

Our Governmental Partners Group—which include Kenneth H. Pun, Gary M. Caporicci, Paul J. Kaymark, Lisa B. Lombard and Jack F. Georger—provide auditing, accounting, and advisory services to numerous governmental entities throughout the United States. With more than one hundred-fifty (150) years of combined experience in the governmental industry we have become a trusted business partner, and well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments. Our team is committed to bringing the full breadth and depth of our expertise to the audit of the City offering an outstanding value.

Our *Orange County* office, located at 200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707 will perform the requested services for the City. In this location we count on 4 partners, 2 senior managers, 1 manager, 2 supervisors, 2 seniors, 4 professional staff and 2 administrative staff. However, we may assign additional staff from our San Diego or Palm Desert (California) offices to the engagement, at no additional cost to the City. No subcontractors will be used.

While many accounting Firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP prides itself on developing lasting, personal relationships with our clients. Our hands-on partner involvement and low personnel turnover are crucial tools to our success and highly beneficial to the City.

Our Firm has:

- Extensive experience in audits of local governments as well as experience with preparation of Comprehensive Annual Financial Reports in GASB 34 format.
- Strong work ethic and willingness to respond to the City of Susanville requirements and needs.

#### **Staff Consistency**

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the City in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

# Services Offered

### **Auditing and Accounting**

The Pun Group, LLP provides all levels of attestation services, including audits, reviews, and special examinations on specific accounts, items, and transactions. Additionally, we provide the following: preparation of financial statements, projections, and forecasts; practical analysis of financial information on ratios, inventory, revenues, and expenses; SEC compliance; IFRS conversions.

### **Business/Tax Consulting**

We provide guidance to closely held, emerging, and family-owned businesses. Our extensive experience with privately held businesses during their entire life cycle allows us to assist our clients to create value, increase profitability, secure financing, and reach goals.

### **Business Valuation**

We provide many business valuation services, including, but not limited to, the following: mergers and acquisitions, joint-venture agreements, goodwill impairment, fairness opinions, restructuring from public to private entities, and allocation of purchase price.

Our multi-disciplinary team includes JDs, and MBAs who have expertise in economics, financial modeling, business management, marketing, psychology, law, competitive analysis, consumer behavior, and market research. Professional designations held by our members include CFE, CVA, CGMA, CIA, CGFM, CFF and MFAA.

### **Financial Recovery/Forensic Services**

We provide many forensic accounting services, including, but not limited to the following: fraud and mismanagement, fraudulent transfers, stockbrokerage churning, fraud risk assessment, safeguarding of assets, organizational reviews.

Our forensic accounting and fraud investigation team excels in solving complex economic crimes. We provide guidance on the prevention and detection of fraud. Members of the team speak as leading experts at forensic accounting and fraud investigation conferences around the nation.

### **Tax Services**

Our Firm provides many tax services, including, but not limited to the following: planning/consulting, compliance, IRS and state representation, estate planning and valuation.

We have specialists in international, federal, state and local taxes. Through careful planning, we can assist our clients with tax strategies for all levels of taxation.

### **Litigation Support**

We provide assistance to attorneys and their clients to favorably resolve complex business disputes through the development of a clear understanding of the issues, assessment of causation and liability, development of practical damage theory, and supportable measurement of damages. Our analysis includes complex quantitative and financial modeling in conjunction with studies of business practice, academic theory, and case studies.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### Firm Municipal Clients

The Pun Group, LLP has performed numerous audits of governmental organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, OMB Circular A-133 and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. A list of current engagements is as follows:

AT THE PUN GROUP, LLP WE  
WORK TOGETHER WITH OUR  
CLIENTS TO ADDRESS A  
VARIETY OF CHALLENGES  
LIKE:

- ✓ Reporting and Compliance Requirements
- ✓ Risk and Internal Controls
- ✓ Operational Transformation
- ✓ Technology Consulting

GFOA CERTIFICATE OF  
ACHIEVEMENT FOR  
EXCELLENCE IN FINANCIAL  
REPORTING:

100% of our clients that have  
submitted their reports to the GFOA  
have received the Certificate of  
Excellence.

UNPARALLELED PARTNERS  
SUPPORT:

Hands-on partner involvement always  
available to address our client's needs  
and answer questions.

OUR SERVICES INCLUDE:

- ✓ Financial statement audits
- ✓ Performance audits
- ✓ Single audit (OMB Circular A-133)
- ✓ Employee benefit plan audits
- ✓ Internal controls evaluations

#### Cities/Towns:

City of Arvin  
City of Arcadia  
City of Bradbury  
City of Calexico  
City of Carpinteria  
City of Cerritos  
City of Chula Vista  
City of Clearlake  
City of Clovis  
Town of Danville  
City of Desert Hot Springs  
City of Encinitas  
City of Fairfield  
City of Gardena  
City of Hemet  
City of Hermosa Beach  
City of Huntington Park  
City of Huntington Beach  
City of Industry  
City of Lakewood  
City of Monterey Park  
City of Morro Bay  
City of National City  
City of Placerville  
City of Poway  
City of Ridgecrest  
City of San Bernardino  
City of Solana Beach  
City of Shafter  
City of Stockton

#### Health Centers:

Alliance Medical Center  
Anderson Valley Health Clinic  
Centro Medico Community Clinic  
Desert Hot Springs Health and Wellness Foundation  
Family Health Centers of San Diego  
Industry Convalescent Hospital  
Marin City Health and Wellness Center  
McCloud Healthcare Clinic  
Mountain Valleys Health Centers  
Redwood Coast Medical Services  
Shingletown Medical Center  
Tulare Community Health Clinic  
United Health Centers of San Joaquin Valley

#### Special Districts:

Altadena Library District  
Antelope Valley State Water Contractors Association  
Barstow Heights Community Services District  
Big Bear City Airport District  
Big Bear City Community Services District  
Bodega Bay Fire Protection District  
Casitas Municipal Water District  
Desert Recreation District  
Desert Recreation Foundation  
Diablo Water District  
East Orange County Water District  
El Toro Water District  
Encinitas Ranch Golf Authority  
Fallbrook Healthcare District  
Las Virgenes Municipal Water District  
Las Virgenes-Triunfo JPA  
Marina Coast Water District  
Menlo Park Fire Protection District  
Newport Coast Elementary School District  
North Coast Fire Protection District  
North County Dispatch JPA  
North of the River Municipal Water District  
Orange County Coastkeeper  
Palmdale Water District  
Palos Verdes Library District  
Port of Hueneme - Oxnard Harbor District  
Rancho Santa Fe Fire Protection District  
Riverside County Flood Control and Water Conservation District  
San Diego Coastkeeper  
San Dieguito Water District Audit  
San Mateo Mosquito and Vector Control District  
South Bay Regional Public Communications Authority  
Southwestern Community College District  
Stallion Springs Community Services District  
The Farm Mutual Water Company  
Trabuco Canyon Water District  
Valley Sanitary District  
West County Agency  
West County Wastewater District  
West Valley Water District  
Wilmington Cemetery District

#### Transportation Agencies/Authorities:

Gold Coast Transit  
San Diego Metropolitan Transit System  
Shasta Regional Transportation Agency  
Ventura County Railroad Company, LLC  
Ventura County Transportation Commission

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### Most Recent External Quality Control Review

The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2015, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.



JOHN LINDY, CPA  
SILVIA C. WATSON, CPA  
JOHN O. ROBERTS, CPA

#### System Review Report

The Pun Group, LLP  
Santa Ana, California;  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of The Pun Group, LLP (the firm) in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. The Pun Group, LLP has received a peer review rating of *pass*.

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FAX 909.948.9633

gyld@gyldecawer.com  
www.gyldecawer.com

GYL DeCaewer LLP  
Ontario, California  
October 13, 2015

your  
Success  
IS OUR  
DESTINATION

CPA MERICA  
INTERNATIONAL  
Come Here & Grow Your Firm!

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services



California Society of CPAs  
1800 Gateway Dr., Ste. 200  
San Mateo, CA 94404

February 4, 2016

Kenneth Hing-Kwong Pun  
The Pun Group LLP  
200 E Sandpointe Ave  
Suite 600  
Santa Ana, CA 92707

Dear Mr. Pun:

It is my pleasure to notify you that on January 27, 2016 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is June 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

  
Linda McCrone, CPA  
Director, Peer Review Program

cc: John Lerias

Firm Number: 8192426      Review Number 372240



T: (650) 522-3094 | F: (650) 522-3080 | [peerreview@calcpa.org](mailto:peerreview@calcpa.org)

### ***Federal or State Desk Review***

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

### ***Disciplinary Action***

No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the City of Susanville.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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### *Similar Engagement with Other Governmental Entities*

The following five clients are examples of some of the engagements that are similar to the requirements in the City's proposal. Additional references are available upon request. Please feel free to contact these governmental agencies to learn more about their experiences working with us.

#### Reference 1:

Name of Client: City of Stockton  
Service Period: June 30, 2012 to Present  
Scope of Work: The Firm has provided professional auditing services to the City of Stockton which includes the audit of the City's CAFR, Single Audit, and Measure W. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

GFAO Award: Yes  
Engagement Partner: Kenneth H. Pun  
Total Hours: Average 2,500 hours per year  
Principle Client Contact: Mr. Edwin Gato  
Accounting Manager  
425 N. El Dorado Street  
Stockton, CA 95202  
(209) 937-8499

Description: The City of Stockton filed a petition for Chapter 9 bankruptcy protection with the United States Bankruptcy Court on June 28, 2012; the largest municipality bankruptcy at the time. The Firm was engaged as audit liaison and advisor in 2012 for the City's 2011 audit. The City also engaged the Firm to help drafting the Comprehensive Annual Financial Report in accordance with U.S. GAAP and in compliance with GFOA guidelines for the certificate of achievement for excellence in financial reporting program.

Satisfied by the superb services provided by the Engagement Team, the City of Stockton further engaged the Firm to provide audit services for the years ending June 30, 2012 through 2015 due to the early termination of the contract from its predecessor firm. Mr. Kenneth H. Pun has been assigned as the engagement partner who facilitated the audit process since then. The engagement team completed the audit and issued the audit reports for the years ended June 30, 2012 and 2013 within the one year timeframe.

#### Reference 2:

Name of Client: City of Desert Hot Springs  
Service Period: June 30, 2013 to Present  
Scope of Work: The Firm has provided professional auditing services to the City of Desert Hot Springs which includes the audit of the City's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit and Transient Occupancy Tax (TOT).

GFAO Award: N/A  
Engagement Partner: Kenneth H. Pun  
Total Hours: Average 500 hours per year  
Principle Client Contact: Ms. Linda Kelly  
Financial Specialist  
65-950 Pierson Blvd.  
Desert Hot Springs, CA 92240  
(760) 329-6411 ext. 289

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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**Description:** The City of Desert Hot Springs engaged the Firm to provide professional auditing services since June 30, 2013. During the audit, certain deficiencies were noted that the City cited as the cause of their financial hardship. The City reduced its overall workforce resulting in many positions unfilled. However, our firm was still able to complete the engagement in a timely manner and provide valuable recommendations to the City Council by addressing their deficiencies.

In addition, during the year ended June 30, 2013, the City entered into a very complicated financial arrangement – New Market Tax Credit financing – for the construction of the Desert Hot Springs Health and Wellness Center. Our firm has provided guidance to the City in addressing complex accounting issues and helped drafting the stand-alone financial statements to fulfill the addition reporting requirements under the New Market Tax Credit financing.

### Reference 3:

**Name of Client:** Town of Danville  
**Service Period:** June 30, 2013 to Present  
**Scope of Work:** The Firm has provided professional auditing services to the Town of Danville which includes the audit of the City's CAFR, Financing Authority, the Lighting and Landscaping Assessment District's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

**GFAO Award:** Yes  
**Engagement Partner:** Kenneth H. Pun  
**Total Hours:** Average 300 hours per year  
**Principle Client Contact:** Ms. Lani Ha  
Accounting Manager  
510 La Gonda Way  
Danville, CA 94526  
(925) 314-3358

### Reference 4:

**Name of Client:** City of Monterey Park  
**Service Period:** June 30, 2009 to Present  
**Scope of Work:** The Firm has provided professional auditing services to the City of Monterey Park which includes the audit of the City's Basic Financial Statements, Successor Agency and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

**GFAO Award:** Yes  
**Engagement Partners:** Kenneth H. Pun  
**Total Hours:** Average 500 hours per year  
**Principle Client Contact:** Ms. Annie Yaung, CPFO  
Controller  
320 W. Newmark Avenue  
Monterey Park, CA 91754  
(626) 307-2516

# **CITY OF SUSANVILLE**

## *Proposal to Perform Audit Services*

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### **Reference 5:**

Name of Client: City of Clovis  
Service Period: June 30, 2008 to Present  
Scope of Work: The Firm has provided professional auditing services to the City of Clovis which includes the audit of the City's Basic Financial Statements, Successor Agency and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

GFAO Award: Yes  
Engagement Partners: Kenneth H. Pun  
Total Hours: Average 450 hours per year  
Principle Client Contact: Ms. Jamie Hughson  
Finance Director  
1033 Fifth Street  
Clovis, CA 93612  
(559) 324-2104

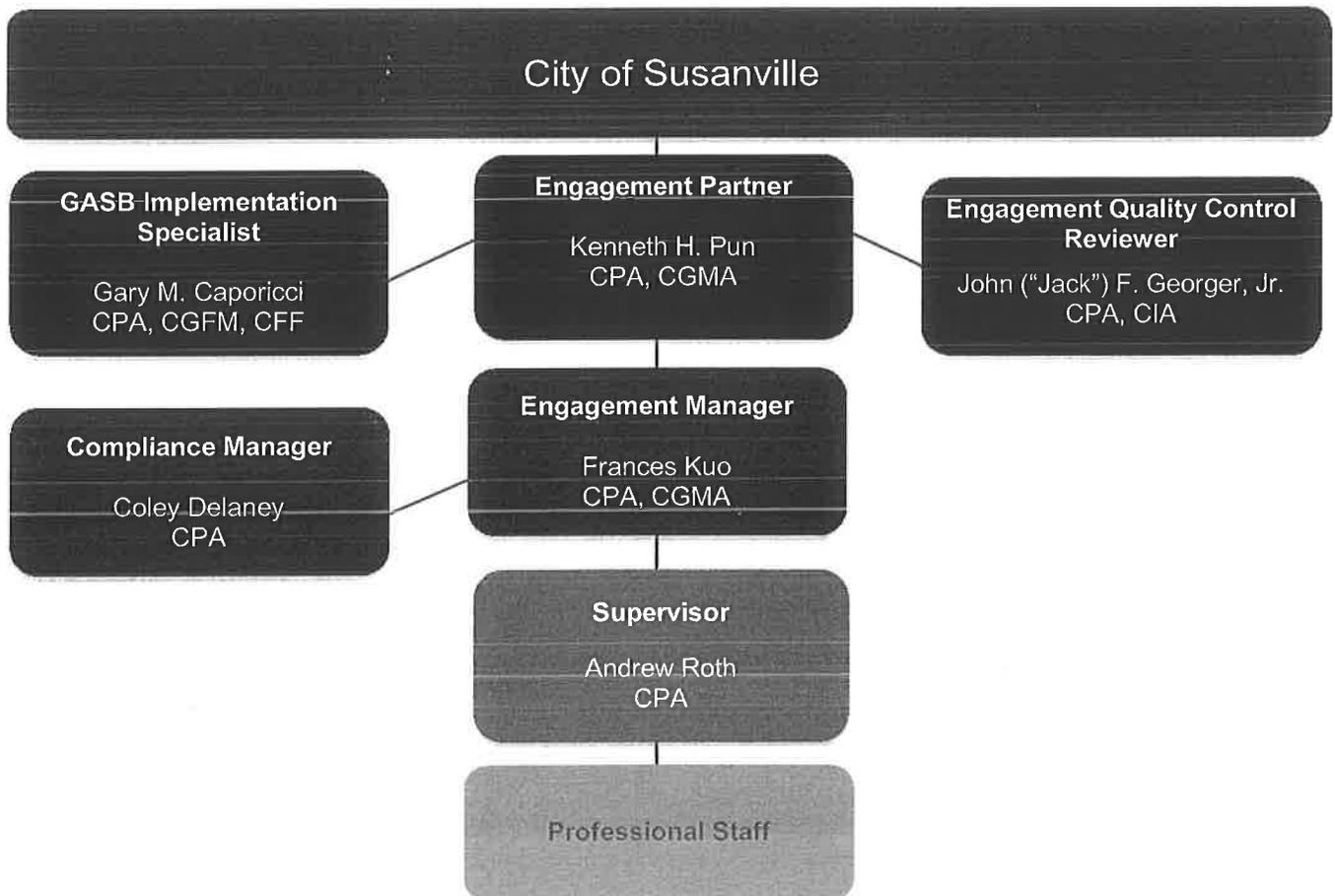
# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### SECTION IV – PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

#### Proposed Engagement Team

The Engagement Team is carefully chosen to provide the City with all the services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues that may arise.



The personnel assigned to this engagement are fully qualified to perform an efficient audit of the City, and their extensive experience will be critical to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Guidance (formerly known as OMB Circular A-133), and fund operations.

If the Firm changes key personnel we will provide the City with a written notification. Engagement personnel will only be changed with the express prior written permission from the City. Audit personnel may be replaced only by those with similar or better qualifications and experience.

**If the City wishes to extend the annual contract beyond three years, the Firm will accommodate requests by the City to rotate partners, managers and or supervisors assigned to the City's audit with personnel with similar or higher qualifications and experience.**

# **CITY OF SUSANVILLE**

## *Proposal to Perform Audit Services*

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### **Kenneth H. Pun, CPA, CGMA | *Engagement Partner***

With over fifteen years of public accounting experience, Kenneth Pun is the Assurance Partner and the Partner In-Charge of the Governmental and Not-for-Profit Practice at the Firm. He specializes in audits and management consulting for governmental organizations. Ken will actively act as the Engagement Partner with the assigned task of directly overseeing the Engagement Team. He will be responsible for the speedy delivery of services for the City of Susanville. In addition, he will manage engagement planning and fieldwork, review for quality and approve work papers and reports.

### **John (“Jack”) F. Georger, Jr., CPA, CIA | *Engagement Quality Control Reviewer***

Throughout his forty years of experience, Jack has worked diligently alongside numerous governmental municipalities, including cities, counties, and transportation agencies, as well as not-for-profit entities, providing clients with financial and compliance auditing as well as consultation services. As an Assurance Partner in our Firm, he advises clients with their complex accounting questions, and supports the engagement team with audit issues. Jack is responsible for the review of all reports issued by the Firm to ensure the utmost quality and compliance with professional standards. He is responsible for the final quality-control review within the engagement.

### **Gary M. Caporicci, CPA, CGFM, CFF | *GASB Implementation Specialist***

Gary Caporicci is an ***appointed member of the State Controller’s Retirement Advisory Committee***. Mr. Caporicci will utilize his expertise in providing advice and consultation during the implementation of the new GASB pension standards. As an assurance partner with over forty years of experience, Gary has provided financial and compliance audit and consultation services to governmental clients including cities, counties, transportation agencies, and school districts, as well as various not-for-profit entities. Gary will be responsible in providing advice and consultation for the implementation of these new pension standards.

### **Frances Kuo, CPA, CGMA | *Engagement Manager***

Frances Kuo will bring her attention to detail and commitment to delivering a high quality audit to the City of Susanville. Frances will work closely with the Assurance partners directing the audit team in its daily activities and tasks. She is an Assurance Services/Audit Manager who has extensive experience in auditing local governmental entities including cities, counties, transportation agencies, special districts, and not-for-profit entities.

### **Coley Delaney, CPA | *Compliance Manager***

Working as a Compliance Manager, Coley will direct the audit team in all compliance-related matters. He is an Assurance Services/Audit Manager in the Firm whose extensive auditing experience includes cities, counties, special districts, and not-for-profit entities.

### **Andrew Roth, CPA | *Supervisor***

Andrew will direct the audit staff and coordinate with the City of Susanville personnel to create a seamless transition during the auditing process, and will secure the effective implementation of the audit approach.

### ***Professional Staff***

All governmental-audit members are qualified to perform financial and compliance audits of governmental agencies. This ensures that the staff quality will be consistent throughout the engagement term. Because we support both staff development and engagement continuity, we encourage senior and staff accountants to take increased responsibilities on their previous engagements as they advance professionally.

# CITY OF SUSANVILLE

## *Proposal to Perform Audit Services*

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### ***Quality-Control System***

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group LLP is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group LLP works exclusively with those who share the same moral integrity and values.

Our quality-control system was crafted with excellence in mind. It not only meets AICPA standards, but also matches our own elevated standards, which includes the following professional-development activities.



### ***Professional Development***

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation in order to always keep our staff well versed in the changing field and any new regulations. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly known as OMB Circular A-133)
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community

These ongoing continuing education activities and training programs ensure that the Engagement Team is always receiving the most current and pertinent information; we believe that an educated staff is a necessity when providing the most efficient and effective audit of the City.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

**Kenneth H. Pun, CPA\*, CGMA**

**Engagement Partner**



Kenneth H. Pun is the Managing Partner and the Director of the Governmental and Not-for Profit Practice of the Firm.

Prior to founding his own practice, Ken was employed by Caporicci & Larson, a specialty CPA firm recognized as one of California's foremost experts in governmental and not-for-profit accounting, auditing, and advisory service. He started with the firm in 2001 and was promoted to Partner in 2008. He has performed numerous audits for cities, counties, transportation agencies, community college districts, other special districts, and not-for-profit healthcare entities of various sizes.

By leveraging more than fifteen years of public accounting experience with a high level of expertise, Ken is often engaged by clients as a result of premier level of service he provides, his commitment, and his innovative methods of increasing operational efficiencies and reducing costs. Ken is a trusted advisor and a leader of accounting services to governmental and not-for-profit organizations.

to governmental and not-for-profit organizations.

In addition to working with clients, Ken provides the audit teams with direction and technical guidance to ensure adherence to The Pun Group's quality controls, and he assists with the development of the Assurance Services practice. Ken also speaks on topics related to audits and quality control and shares his expertise with clients through annual educational seminars.

### EDUCATION

- ✓ BS Degree in Business Administration, emphasis in Accounting from the University of California, Riverside

\*Licensed by the State of California

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Governmental Accounting and Auditing Committee
- ✓ Member, CalCPA Governmental Accounting and Auditing Conference Planning Committee
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Speaker, CSMFO Conference (2014)
- ✓ Instructor, CalCPA Fall Series (2014) – Long Beach and Orange County Chapter

### PROFESSIONAL EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Bradbury	• City of Calexico
• City of Carpinteria	• City of Cerritos
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Desert Hot Springs	• City of Encinitas
• City of Fairfield	• City of Gardena
• City of Hemet	• City of Hermosa Beach
• City of Huntington Park	• City of Industry
• City of Lakewood	• City of Monterey Park
• City of Morro Bay	• City of National City
• City of Placerville	• City of Poway
• City of Ridgecrest	• City of San Bernardino
• City of Solana Beach	• City of Shafter
• City of Stockton	• Alliance Medical Center
• Anderson Valley Health Clinic	• Centro Medico Community Clinic
• Desert Hot Springs Health and Wellness Foundation	• Family Health Centers of San Diego
• Industry Convalescent Hospital	• Marin City Health and Wellness Center
• McCloud Healthcare Clinic	• Mountain Valleys Health Centers
• Redwood Coast Medical Services	• Shingletown Medical Center

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707  
 Email: Ken.Pun@pungroup.com | Phone: (949) 777-8801 | Fax: (949) 777-8850

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

• Tulare Community Health Clinic	• United Health Centers of San Joaquin Valley
• Gold Coast Transit	• North County Transit District
• San Diego Metropolitan Transit System	• Shasta Regional Transportation Agency
• SunLine Transit Agency	• Las Virgenes Municipal Water District
• Las Virgenes-Triunfo Joint Powers Authority	• Encinitas Ranch Golf Authority
• Fallbrook Healthcare District	• Marina Coast Water District
• Menlo Park Fire Protection District	• Newport Coast Elementary School District
• Riverside County Flood Control and Water Conservation District	• Southwestern Community College District

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### John F. Georger, Jr., CPA\*, CIA Engagement Quality Control Reviewer



Jack Georger is the Partner of the Governmental Division by leveraging more than forty years of public accounting and auditing experience in the government, agribusiness, financial services, manufacturing and non-profit sectors. Mr. Georger brings an in-depth knowledge and practical expertise to each client engagement. Mr. Georger coordinates, plans, and manages financial audit activities, consulting activities, federal and state compliance audit activities, performance audits and numerous quality control and internal control reviews for a broad mix of governmental agencies and programs throughout the United States.

Jack is a continuing professional education course instructor for the AICPA. Annually, he instructs over 300 hours on accounting and auditing subjects. He has coauthored training material in governmental accounting and auditing for the AICPA and is the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits.

Mr. Georger is licensed to practice as a certified public accountant in the states of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri, Connecticut (inactive), and Wyoming (inactive), and is a Certified Internal Auditor (CIA).

#### EDUCATION

- ✓ Bachelor of Science, George Mason University Fairfax, Virginia

*\*Licensed by the State of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri and Connecticut (inactive) and Wyoming (inactive)*

#### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Institute of Internal Auditors
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Government Accounting and Auditing Committee
- ✓ Member, New York Society of Certified Public Accountants (NYSSCPA)
- ✓ Chairman, NYSSCPA Government Accounting and Auditing Committee
- ✓ Member, NYSSCPA Auditing Standards Committee
- ✓ Member, NYSSCPA Financial Accounting Standards Committee
- ✓ Member, NYSSCPA Not-for-Profit Committee
- ✓ Member, Missouri Society of Certified Public Accountants (MSCPA)
- ✓ South Carolina Association of Certified Public Accountants (SCACPA)
- ✓ Member, Government Finance Officers Association (GFOA) – CAFR Reviewer

#### KEY CLIENTS

- Local Governments:
  - Town of Andrews, South Carolina
  - County of Isle of Wight, Virginia
  - City of Richmond, Virginia

#### CONTINUING PROFESSIONAL EDUCATION

- ✓ Instructor of over 300 hours of municipal accounting courses offered by the AICPA
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

Gary M. Caporicci, CPA\*, CGFM, CFF  
GASB Specialist

Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.



Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

### EDUCATION

- ✓ BS Degree in Accounting and Finance from the Armstrong University

*\*Licensed by the State of California*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- ✓ Past Chair, CalCPA Governmental Accounting and Auditing Committee
- ✓ Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- ✓ Member, CalCPA Council
- ✓ Chair, California Committee on Municipal Accounting (CCMA)
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Member, Governmental Accounting Standards Board (GASB),
- ✓ Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- ✓ National Reviewer and Speaker, Government Finance Officers Association
- ✓ Adjunct Professor, National University
- ✓ Past Member, Texas Governmental Accounting and Auditing Committee
- ✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

**Frances Kuo, CPA\*, CGMA**  
**Engagement Manager**



Frances Kuo is a Senior Manager in The Pun Group, LLP's Assurance division. Frances has over ten years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly OMB Circular A-133).

Frances has performed audits and other attestation services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special Districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Kuo is the in-house instructor who provides training, both theoretical and on-the-job training, to lower level staff. She has developed training materials on the risk based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

### EDUCATION

- ✓ BS Degree in Business Administration, Emphasis in Accounting, from the University of California, Riverside
- ✓ BA Degree in Economics from the University of California, Riverside

\*Licensed by the State of California, Arizona and Virginia.

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)

### RELEVANT PROJECT EXPERIENCE

• City of Arcadia	• City of Bradbury
• City of Cerritos	• City of Carpinteria
• City of Desert Hot Springs	• City of Gardena
• City of Huntington Park	• City of Huntington Beach
• City of Hermosa Beach	• City of Hemet
• City of Industry	• City of Monterey Park
• City of Ridgecrest	• Conejo Recreation and Park District
• Las Virgenes Municipal Water District	• Marina Coast Water District
• Mountains Recreation and Conservation Authority	• San Diego Transit Corporation Retirement Plan
• Tulare Community Health Clinic	• San Diego Metropolitan Transit System
• San Diego Association of Governments	• Southwestern Community College District
• Valley Sanitary District	• Shanghai Jiao Tong University Foundation of America

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

Coley Delaney, CPA\*  
Compliance Manager



Coley Delaney is a Manager within The Pun Group, LLP's Assurance division. In his nine years of accounting and auditing experience, Coley has worked with governmental agencies, not-for-profit entities and private for-profit entities. Coley specializes in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly known as OMB Circular A-133).

Coley has performed audits and other attestation services for several governmental agencies throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts, and he has helped them publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Mr. Delaney develops training materials and shares his expertise internally with other Firm professionals. Coley is a frequent speaker at in-house seminars on topics related to government auditing standards and Single Audits.

### EDUCATION

- ✓ BA Degree in Business Economics Emphasis in Accounting from the University of California, Santa Barbara.

\*Licensed by the State of California

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

### RELEVANT PROJECT EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Fairfield	• City of Encinitas
• City of Gardena	• City of Hermosa Beach
• City of Industry	• City of Monterey Park
• City of Monterey Park	• City of National City
• City of Poway	• City of San Bernardino
• City of Solana Beach	• City of Shafter
• City of Stockton	• Family Health Centers of San Diego
• Redwood Coast Medical Services	• United Health Centers of San Joaquin Valley
• San Diego Metropolitan Transit System	• North County Transit District
• SunLine Transit Agency	• United Health Centers of San Joaquin Valley
• Fallbrook Healthcare District	• Southwestern Community College District

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

Andrew Roth, CPA \*

Supervisor



Andrew Roth is a Supervisor of The Pun Group, LLP. He has more than seven (7) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis and Taxation.

In various engagements, Andrew has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

### EDUCATION

- ✓ BA Degree in Accounting from the San Diego State University.

\*Licensed by the State of California

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

### RELEVANT PROJECT EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Fairfield	• City of Encinitas
• City of Gardena	• City of Hermosa Beach
• City of Industry	• City of Monterey Park
• City of Monterey Park	• City of National City
• City of Poway	• City of San Bernardino
• City of Solana Beach	• City of Shafter
• City of Stockton	• Family Health Centers of San Diego
• Redwood Coast Medical Services	• United Health Centers of San Joaquin Valley
• San Diego Metropolitan Transit System	• North County Transit District
• SunLine Transit Agency	• United Health Centers of San Joaquin Valley
• Fallbrook Healthcare District	• Southwestern Community College District

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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### SECTION VI – SPECIFIC AUDIT APPROACH

#### Scope of Work

The City of Susanville is requesting an opinion as to the fair presentation of its basic financial statements in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set for by the American Institute of Certified Public Accountants.
- The standards applicable to financial audits contained in the most current version of the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act as amended in 1996.
- The provisions of U.S. Office of Management and Budget (OMB) Uniform Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-Profit Organizations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

To accomplish this task, the Firm will:

- ✓ Perform a financial and compliance audit to determine (a) whether the combined financial statements of the City fairly present the financial position and the results of financial operations in accordance with generally accepted accounting principles, and (b) whether the City has complied with laws and regulations that may have a material effect upon the financial statements.
- ✓ Perform an audit of all funds of the City. The audit will be conducted in accordance with Generally Accepted Government Auditing Standards. A CAFR will be prepared and word processed by the Firm. The CAFR will be in full compliance with all current GASB pronouncements.
- ✓ Provide assistance in meeting the requirements for the Government Finance Officers Association (GFOA) "Certificate of Achievement for Excellence in Financial Reporting".
- ✓ Prepare a Single Audit Report will include the following:
  - Report on compliance and on internal control over financial reporting based on audit of financial statements performed in accordance with Government Auditing Standards.
  - Report on compliance with requirements applicable to each major program, internal control over compliance, and on the schedule of expenditures of federal awards in accordance with Uniform Grant Guidance, OMB Circular A-133, "Audits of State and Local Governments", and the Single Audit Act of 1984 (Public Law 98-502).
  - Schedule of Expenditures of Federal Awards.
  - Notes to Schedule of Expenditures of Federal Awards.
  - Schedule of Findings and Questioned Costs.
  - Any other required schedules or reports.
  - Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.
- ✓ Perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.
- ✓ Prepare and submit the California State Controller's Cities Financial Transaction Report.
- ✓ Issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters should be addressed to the City Administrator.
- ✓ Prepare a report of the examination of the City's component units' financial statements for each such fiscal year, which shall include such component unit, general purpose and supplementary financial statements, notes to the financial statements and an opinion as to the fairness of their presentation in conformity with generally accepted accounting principles, applicable to the various funds or state the reasons for any exceptions to said principles.
- ✓ Assist the City in complying with requirements of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting award program.
- ✓ Provide assistance in the implementation of applicable GASB pronouncements not yet in effect.

# CITY OF SUSANVILLE

## *Proposal to Perform Audit Services*

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The Firm will be available for consultation by phone on accounting and financial issues during the year at no extra cost. The Firm will also serve as auditor for certain addition projects and studies as may be deemed necessary by the City.

The Firm will make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City Administrator.

Supplemental reports, audits, or agreed-upon procedures must be added in a written agreement prior to commencing audit work. The Firm and the City will discuss and approved the scope and associated costs of these tasks.

### ***Reports to be Issued***

The following reports will be issued at the fiscal year's financial statements completion:

<b>Reports</b>	<b>Due Date</b>	<b>Qty.</b>
Audit of the general purpose financial statements and draft of the CAFR	No later than November 7, 2016	1 Electronic
Final CAFR document	No later than December 12, 2016	1 Electronic
Single Audit Report	No later than January 9, 2017	1 Electronic 7 Bound
Management Report	No later than December 12, 2016	1 Electronic 7 Bound
Lassen County Air Pollution Control District Final Basic Financial Statements	No later than December 30, 2016	1 Electronic 7 Bound

### ***Working Paper Retention and Access to Working Papers***

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years, unless the City notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to City of Susanville or other governmental agencies included in the federal or state grant audits. The Firm will comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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### ***Proposed Segmentation of the Engagement and Timeline***

The audit will be performed in four phases:

***Initial Planning Meeting*** | During a mutually acceptable time frame, normally May through June of each year.

The Engagement Partner and Manager will meet with Agency's Management to get up to speed with Agency policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.

***Interim*** | May commence July of each year.

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the Agency, obtain an understanding of the Agency and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and Agency Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

***Year-End*** | May commence during the last week of September or the first week of October of each year.

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and Agency Management will hold an exit conference at the end of the Year-End phase.

***Reporting*** | Draft copies of reports will be provided in by first week of November of each year; Final City reports, Lassen County Air Pollution Control District Basic Financial Statements and management letter will be provided **no later than December 1<sup>st</sup>**, of each year. Single Audit report will be provided **no later than January 9<sup>th</sup>**, of each year.

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the City's request, the Engagement Partner and Manager will present the audit to the City's governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal City circumstances delay the audit.

### ***Sample size and the extent to which statistical sampling is to be used in this engagement***

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.

### ***Type and extent of analytical procedures to be used in the engagement***

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with budgeted and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of cities and counties and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc. Our staff members have previous experience in successfully implanting analytical procedures to the City's benefit.

# CITY OF SUSANVILLE

## *Proposal to Perform Audit Services*

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### *Approach to be taken to gain and document an understanding of the City's internal control structure*

Audit risk assessment will be established by an internal control review, combined with the Engagement Team's understanding of the City's operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the City's processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to evaluate the City's systems and controls and to provide constructive feedback to City Management.

The Engagement Team will perform a walkthrough of the City's accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, etc. Auditors will document the process with a flowchart or narrative summary.

### *Approach to be taken in determining laws and regulations that will be subject to audit test work*

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and pertinent contracts—to ensure that we conduct audits in accordance with applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, provisions of applicable grant guidelines, requirements of local measures, etc.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most transactions are tested as part of the Interim phase, we cannot determine which grants to test for the Single Audit until the Year-End phase of audit.

Our compliance audits of cash, investments, debt covenants, and other areas are performed in accordance with the California Government code, which has many provisions and regulations covering investments.

### *Approach to be taken in drawing audit samples for purposes of tests of compliance*

To test compliance, we follow the AICPA's *Audit Sampling Considerations of Circular A-133 Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

### *GASB Implementation Specialist*

Gary M. Caporicci, the Firm's *GASB Implementation Specialist*, is an **appointed member to the State Retirement Advisory Committee by the State Controller** and has tremendous expertise in assisting clients with the implementation of GASB pronouncements.

For more than 40 years, Mr. Caporicci has successfully provided professional auditing, accounting, financial reporting and management advisory/consulting services to a broad spectrum of governmental entities.

Caporicci is a leader in the new GASB Pension Standards going into effect in the coming years. He will actively assist the City during the process of implementation and compliance related to new accounting standards.

# CITY OF SUSANVILLE

## *Proposal to Perform Audit Services*

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### *Client Training Seminar*

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for **eight hours of CPE** with the California Board of Accountancy.

Participants of last year's training seminar received a high-level examination of numerous technical issues, including the following:

- GASB No. 68 – *Accounting and Financial Reporting for Pensions*
- GASB No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*- an amendment of GASB Statement No. 68
- GASB Updates
  - ✓ GASB No. 72 – *Fair Value Measurement and Application*
  - ✓ GASB No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*
  - ✓ GASB No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
  - ✓ GASB No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Uniform Grant Guidance
- Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar **FREE OF CHARGE**.

# CITY OF SUSANVILLE

## *Proposal to Perform Audit Services*

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### **SECTION VI – IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS**

While we do not expect any problems with the audit, we will carefully investigate and monitor the following relevant accounting issues:

- Investments:
  - Compliance with GASB 31 and GASB 34
  - Authorization and approval process for City investments
  - Controls to assure City's compliance with investment limitations and types of specific investments
  - Monitoring by the City of its investments
- Financial Reporting:
  - CAFR compliance with current reporting and disclosure requirements issued by GASB
  - CAFR eligibility for financial reporting conformance awards issued by GFOA
  - Compliance with the various GASBs in effect, especially the implementation of GASB 68 and 71 related to pension accounting
  - Compliance with infrastructure obligations and regulatory provisions
- Internal Control Structure:
  - City's internal control functions and compliance with proper internal control philosophies
  - Computer-system processes and controls, and adequacy of the control environment

Over the period of this proposal, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- *GASB 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- *GASB 69 – Government Combinations and Disposals of Government Operations*
- *GASB 71 – Pension Transition for Contributions Made Subsequent to the Measuring Date*
- *GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- *GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- *GASB 76 – The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
- *GASB 77 – Tax Abatement Disclosures*
- *GASB 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- *GASB 79 – Certain External Investment Pools and Pool Participants*

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### SECTION VII – TOTAL ALL-INCLUSIVE MAXIMUM PRICE

#### Certification

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed, at no additional cost to the City of Susanville.

**Name of Firm:** The Pun Group, LLP  
Certified Public Accountants and Business Advisors  
200 Sandpointe Avenue, Suite 600  
Santa Ana, California 92707

**Certification:** Kenneth H. Pun is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the City of Susanville.



Kenneth H. Pun, CPA, CGMA | Managing Partner  
The Pun Group, LLP

#### Total All-Inclusive Maximum Price

Following are our total fixed fees For Fiscal Year Ending June 30, 2016 with the option to extend for two (2) additional years.

#### APPENDIX B

All-Inclusive Maximum Price by Report	Optional Years		
	FY 2015-16	FY 2016-17	FY 2017-18
City	\$ 28,000	\$ 28,840	\$ 29,705
Lassen County Air Pollution Control District Audit	\$ 1,500	\$ 1,545	\$ 1,591
Single Audit*	\$ 3,000	\$ 3,090	\$ 3,183
<b>Total</b>	<b>\$ 32,500</b>	<b>\$ 33,475</b>	<b>\$ 29,705</b>

\*Based on the information provided by the City of Susanville and our understanding of the engagement, the City is subject to the Single Audit Act in accordance with OMB Uniform Guidance. The Single Audit fees are based on (1) one major program. If the City of Susanville applies for additional funding subsequent to the preparation of this proposal, the fee to audit additional major programs will be \$3,000 each. The number of programs determined to be "major" will be based on OMB Uniform Guidance. The Engagement Team will discuss this with the City's Management before starting Single Audit work.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

### SECTION VIII – RATES BY PARTNER, SUPERVISORY, AND STAFF LEVEL TIMES HOURS ANTICIPATED FOR EACH

#### Rates by partner, supervisory, and staff

Below is the Firm's standard hourly billing rates, delineated by staffing levels:

#### APPENDIX A

Schedule of Professional Fees and Expenses to Support the The Total All-Inclusive Maximum Price	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partner	20	\$ 250	\$ 200	\$ 4,000
Manager	30	\$ 200	\$ 150	\$ 4,500
Supervisory Staff	60	\$ 175	\$ 145	\$ 8,700
Senior Accountant (s)	60	\$ 150	\$ 110	\$ 6,600
Staff Accountant	84	\$ 125	\$ 100	\$ 8,400
Other (Specify) Clerical	4	\$ 100	\$ 75	\$ 300
Sub-Total				\$ 32,500
Out-of-Pocket				\$ -
Total				\$ 32,500

The Firm's policy is to maintain flexible billing rates in order to meet the needs of clients and help them control costs. In the interest of starting our long-term relationship, we will **absorb all costs** required to familiarize ourselves with the operations and accounting systems, as well as, travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the City of Susanville. These **costs** will also be **absorbed** by the Firm.

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written agreement prior to commencing audit work. The Firm and the City will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above quoted hourly rates.

The Pun Group, LLP understands that the City is not only looking to employ our auditing services, but is also seeking to receive value within that professional relationship. We believe that our value is derived from our in-depth knowledge, experience, and commitment that our auditing firm employs. We stress and emphasize "employ", because all of the knowledge and expertise listed on paper will not benefit you unless it is applied. That is why we have developed a plan that we feel will accomplish the objectives of the City and your particular needs. Our Firm will utilize the information that you have shared with us and our experience from our previous audits of this nature, from various government entities and cities to develop an effective plan for all major areas.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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### *Manner of Payment*

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the City of Susanville, at the rates outlined in the Total All-Inclusive Maximum Price section, in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

Work Performed	% of Proposal Amount
For Planning	10%
For Interim work	40%
For Year-End work	40%
At Presentation and Acceptance of Final Reports	10%
<b>Total</b>	<b>100%</b>

## SECTION IX – OWNERSHIP OF CITY RELATED DOCUMENTS

All property rights, including publication rights of all reports produced by the Firm in connection with services performed under this agreement shall be vested in the City of Susanville. The Firm will not publish or release any of the results of its examinations without the express written permission of the City of Susanville City Administrator.

# CITY OF SUSANVILLE

## Proposal to Perform Audit Services

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### *Benefits of Choosing The Pun Group, LLP*

The Pun Group, LLP is recognized for its professionalism, integrity, and providing clients with effective resolutions for their unique circumstances and issues. Our Firm prides itself on being able to provide personalized client services, and with that sentiment in mind, we have carefully chosen our engagement teams. The Pun Group's main objective is always to provide the City with solutions and directions, led by highly experienced and capable partners who can successfully implement the work and produce the results you expect. This philosophy and mindset allows us to provide a superior level of service.

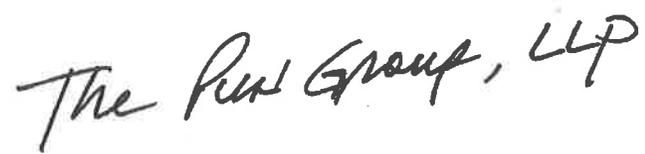
We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the City of Susanville and providing you with the excellent level of service that you expect and deserve.

### *Thank You*

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Kenneth H. Pun, CPA, CGMA  
Managing Partner  
200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
ken.pun@pungroup.com  
(949) 777-8801

Sincerely,



The Pun Group, LLP  
Certified Public Accountants and Business Advisors

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# APPENDIX

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✓ *Proof of Insurance*





200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707  
Phone: (949) 777-8800 | Fax: (949) 777-8850 | [www.pungroup.com](http://www.pungroup.com)



# City of Susanville

## TECHNICAL PROPOSAL

### ***For Professional Auditing Services for the City of Susanville***

*For the fiscal years ending June 30, 2016, with option to  
extend the contract for two additional fiscal years*

***February 19, 2016***

**Contact Person:**

Ahmed Badawi, CPA  
Badawi & Associates  
Certified Public Accountants  
180 Grand Avenue, Suite 1500  
Oakland, CA 94612  
Phone: (510) 768-8244  
Fax: (510) 768-8249  
E-mail: [abadawi@b-acpa.com](mailto:abadawi@b-acpa.com)



# City of Susanville

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February 19, 2016

Mr. Jared G. Hancock  
City Administrator  
City of Susanville  
66 North Lassen Street  
Susanville, CA 95404

Dear Mr. Hancock:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the City of Susanville (the "City") for the fiscal years ending June 30, 2016 with option to extend the contract for two additional fiscal years. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the City in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984, as amended in 1996), and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the following as part of our engagement:

- Single Audit (if required)
- Gann Limit
- Lassen County Air Pollution Control District

This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the City.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the City on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Mr. Ahmed Badawi, CPA  
Badawi & Associates  
Certified Public Accountants  
180 Grand Ave. Suite 1500  
Oakland, CA 94612  
Telephone: (510)768-8244  
E-mail: [abadawi@b-acpa.com](mailto:abadawi@b-acpa.com)

Mr. Jared G. Hancock  
City Administrator  
City of Susanville  
Page 2

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports prior to the City's published time frames and commit to you that we will perform the work within the time frames required.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous cities throughout California. We will be responsive to the needs of the City, we understand the City's operational environment, and pledge to you our complete commitment to providing a quality product that meets the City's requirements.

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the City's office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of City operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and City Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer for 180 days.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the City. Our past experience provides us with a thorough understanding of the needs and requirements of the City, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,



Ahmed Badawi  
Partner  
Badawi & Associates  
Certified Public Accountants

**Independence****Independence**

The Firm is independent of the City of Susanville as defined by the GAO's *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards for the City.

**Insurance**

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as City's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to City which shows the minimum requirements identified by City have been met.

**License to Practice in California**

The Firm and all key professional staff assigned to City's audit are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO *Government Auditing Standards*.

The Firm is registered with the California State Board of Accountancy. Its State number is COR6823.

The Firm has met all required State and local laws, rules, and regulations.

**Firm  
Qualifications  
and  
Experience****Firm Qualifications**

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 18 years of experience working with state and local government with a special focus on cities. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Oakland, CA, the Firm serves a variety of cities throughout California as well as conducting financial related services for numerous special districts and authorities. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Oakland office will be the Engagement Office assigned to the City.

In addition to specific city financial statements, the Firm members have also audited numerous redevelopment agencies, public financing authorities, hospitals, housing authorities, transportation authorities, special districts, water districts, OCJP grants, self-insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, childcare regulations, TOT regulations, AQMD regulations, franchise requirements, RDA compliance, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment agency reporting requirements.

The Engagement Partner assigned to the City, Mr. Ahmed Badawi. Mr. Badawi has over 18 years of government audit experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

The professional staffs assigned to the Engagement are qualified and experienced. Each individual of the Engagement Team has several years of experience and has conducted or participated in numerous municipal audits of various sizes. Their understanding of governmental operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with minimal disruption to the City's finance department.

### Technical Approach

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the City's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of City operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and City Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.

The audit approach will consist of four phases:

#### Initial Planning Meeting:

The Engagement Partner and Manager will meet with City Management to discuss the audit approach, identify specific needs of City Management, and familiarize themselves with City policies and practices.

#### Interim:

The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, evaluate compliance with Single Audit Act requirements, identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and City Management of the year end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the City on providing a list of those tasks that we will target to complete during interim and work with the City on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the City in meeting its goal of issuing the CAFR by the desired deadline.**

#### Year end:

The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work.

#### Reporting:

Auditor's reports for all City reporting entities and compliance requirements will be finalized along with Single Audit Reports and Management Letter comments. The Partner and Manager will be available to make presentations to the City Council and/or designated bodies.

### Firm Experience

The Firm is located in Oakland, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm's professional staff members provide the financial background and specific experience to meet the City's operational needs. Additionally, this situation provides the City with an auditing firm that has depth in capabilities to address any financial issue the City may need assistance with, and the quality audit approach that you expect.

Our Oakland office will be the Engagement Office assigned to the City.

Firm policy requires that the Engagement Partner, during the first year of the engagement, be actively involved in the daily fieldwork. This means to the City that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of City processes, and benefiting the City with his broad municipal experience. We have found that this effort benefits the City and the Firm through developing a thorough knowledge of the City's practices and issues and establishing a close working relationship with the City's Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- Cities
- Redevelopment Agencies
- Financing Authorities
- Housing Authorities
- Special Districts
- Water Districts
- Waste Management Authorities and Operations
- Pension Plans
- Child Care Operations
- Joint Power Authorities
- Investment Activities
- Landfills
- Enterprise Funds
- Airports
- Transportation Operations
- Federal and State Grants

### Additional Activities

We offer a full range of accounting and finance services to the governmental sector. These services include:

- Financial audits
- Compliance audits
- Tax advice
- Development of financial and accounting policies and procedures
- Investment review and compliance evaluation
- Operational reviews
- Technical guidance on existing and upcoming accounting issues
- Training seminars
- Pension/profit-sharing plans
- Performance audits
- Business consulting

Consequently, Firm personnel are well qualified to perform the services expected by the City.

**Client Training Seminar**

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one day session qualifies for CPE under the rules of the State Board of Accountancy and is held in locations throughout the Bay Area.

**CSMFO Training**

The Firm provides a one-day training session entitled "Introduction to Governmental Accounting" to members of CSMFO. Firm personnel developed the class materials and teach the sessions. Approximately 10 sessions are held annually at various locations throughout the State. The Firm provides these sessions for only the cost of materials to CSMFO in keeping with its philosophy to support the industry in which it serves

**Quality Control Review**

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



JOHN LERIAS, CPA  
 STEPHEN C. WILLIAMS, CPA  
 JOSEPH O. ROMERO, CPA

System Review Report

**BADAWI & ASSOCIATES**

Oakland, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 28, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Badawi & Associates has received a peer review rating of *pass*.

8577 Haven Avenue  
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 Rancho Cucamonga  
 CA 91730

909.948.9990  
 800.644.0696  
 FAX 909.948.9633

[gyld@gyldcauwer.com](mailto:gyld@gyldcauwer.com)  
[www.gyldcauwer.com](http://www.gyldcauwer.com)

*your*  
**Success**  
*is our*  
**DESTINATION**

*GYL DeCaUWER LLP*

Rancho Cucamonga, California  
 May 16, 2013

**CPA** AMERICA  
 INTERNATIONAL

B&A have policies and procedures to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources. All members of B&A are very familiar with the stringent quality control standards established by the AICPA.

**The Firm is a member of the AICPA Government Audit Quality Center.**

**The Firm is a member of the AICPA Private Companies Practice Section.**

**Federal or State Desk Reviews**

The Firm has had no negative federal or state reviews in the past three (3) years.

**Disciplinary Action**

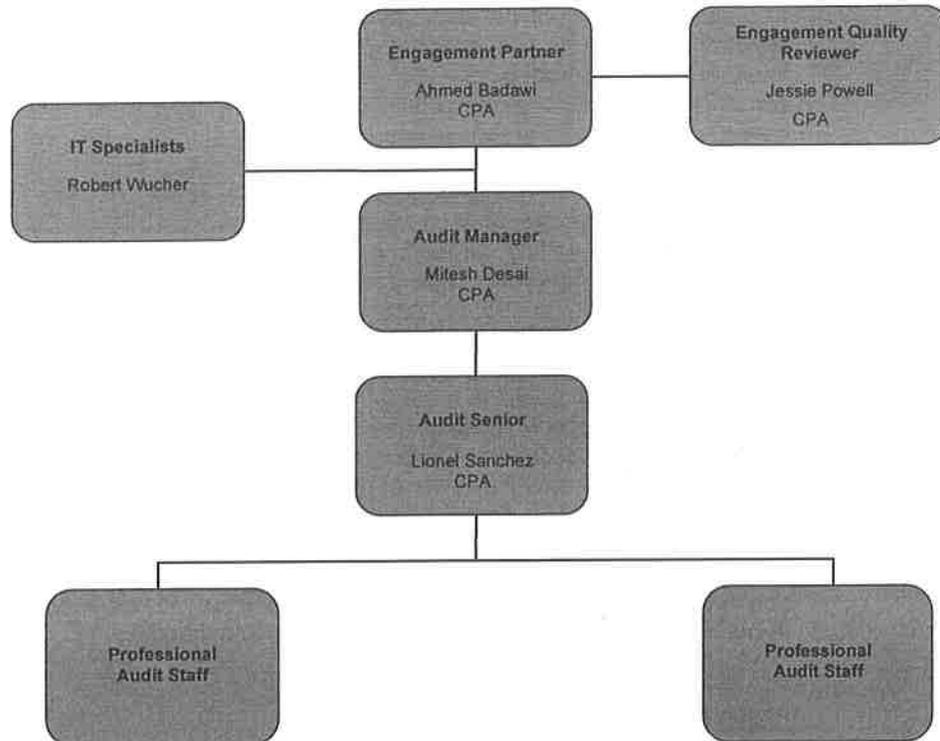
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

**Lost Clients and Pending Litigations:**

The Firm has not experienced termination of any contracts before completion, and has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

**Partner,  
Supervisory,  
and Staff  
Qualifications  
and  
Experiences**

The Engagement Team will normally consist of seven individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the City with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi's background includes over eighteen years of municipal auditing experience with a special focus on cities. He is the instructor of the CSMFO "Introduction to Governmental Accounting" training classes. Mr. Badawi is a member of the Government Accounting and Auditing Committee, the Accounting Principles and Auditing Standards Committee and the State Technology Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations.

The second member of the Engagement Team is Mitesh Desai, CPA. Mr. Desai's background includes seven years of experience in municipal auditing with a special focus on cities. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their CAFRs in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. He will serve as the Audit Manager.

The third member of the Engagement Team is Lionel Sanchez, CPA. Mr. Sanchez's background includes over twenty years of various accounting experience including five years of municipal auditing experience. He has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mr. Sanchez will be the Senior of this engagement.

The fourth member of the Engagement Team is Robert Wucher. Mr. Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care and not-for-profit organizations.

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

#### **Professional Development:**

The Firm maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Foundation educational programs, and on-the-job training.

The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments.
- Review of governmental fund types and account groups.
- Review of newly issued generally accepted auditing standards and GAO auditing standards.
- Review of Internal Control evaluation approaches including COSO principles.
- Updates on recent governmental accounting and reporting guidelines.
- Review of Single Audit requirements and approaches.
- Review of financial audit approaches.
- Overview of audit and internal control work paper techniques.
- Review of GASB reporting requirements.
- Review of current issues facing the governmental community.

---

During the year, professional staff members are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices.
- Yellow Book: Government Auditing Standards.
- Financial Accounting Standards: Comprehensive Review.
- Single Audit.
- Governmental Auditing & Accounting Update.
- Governmental Accounting Principles.
- Comprehensive Review of Generally Accepted Auditing Standards

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the City.

The Team members will continue their professional development efforts.

**Staff Retention and Continuity:**

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates; offer promotional opportunities; provide state-of-the-art equipment and excellent working conditions; and offer various benefits, such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the City in subsequent years if he or she is still with the Firm. We can also guarantee that the partner will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team follow.

**Ahmed Badawi, Certified Public Accountant – Engagement Partner**

**Length of Career**

- Eighteen years' experience in municipal auditing with a special focus on cities.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Susanville	X	X			X	X
Pleasanton	X	X		X		X
Albany	X	X	X			X
Antioch	X	X		X	X	X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Redwood City	X	X	X		X	X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
San Mateo	X	X	X		X	X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
Counties:						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X
County of Lassen	X	X			X	X
Special Districts and Other:						
Port of Redwood City	X	X				X
Marin Municipal Water District	X					X
Coastside Fire Protection District	X					X
Alameda County Water District	X				X	X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
West County Wastewater District	X					X
Health Care:						
Alameda County Medical Center	X	X				X

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous CAFRs.

**Education**

- BS Degree in Accounting from the University of Alexandria, Egypt.

**Professional Activities**

- Instructor, CSMFO's "Introduction to Governmental Accounting" training class.
- Member, CALCPA Government Accounting and Auditing Committee
- Member, CALCPA Accounting Principles and Auditing Standards Committee
- Member, CALPCA State Technology Committee
- Member, American Institute of Certified Public Accountants.
- Member, California Society of Certified Public Accountants.
- Member, Government Finance Officers Association.
- Member, California Society of Municipal Finance Officers.
- Chair, Audit Committee, San Francisco SPCA, a CA nonprofit organization
- Member, Board of Directors, San Francisco SPCA

**Continuing Education**

Has met the current CPE educational requirements to perform audits on governmental agencies

**Mitesh Desai, Certified Public Accountant – Professional Audit Manager**

**Length of Career**

- Seven years' experience in municipal auditing with a special focus on cities.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Susanville	X	X			X	X
Albany	X					
Antioch	X				X	X
Barstow	X	X			X	X
Berkeley	X	X	X		X	X
Buena Park	X	X			X	X
Foster City	X	X	X		X	X
Fremont	X	X	X		X	X
East Palo Alto	X	X			X	X
Lemon Grove	X				X	
Newark	X	X	X			X
Menlo Park	X				X	X
Pittsburg	X	X	X		X	X
Placerville,	X	X			X	X
Redwood City	X	X			X	X
Rio Vista	X		X		X	X
San Mateo	X	X	X		X	X
Turlock	X				X	X
Union City	X				X	X
Vacaville	X	X	X	X		X
Counties:						
Contra Costa	X	X	X	X	X	X
Glenn		X				
Santa Cruz	X	X	X	X	X	X
Other:						
Alameda County Water District	X					X
Alameda County Medical Center	X	X				X
Castro Valley Sanitary District	X					
Cosumnes Community Services District	X					
Golden Valley Health Centers	X					X
Marin Municipal Water District	X					
West County Wastewater District	X					X
Contra Costa Child Development Programs	X					X
Stanislaus County Childcare	X					X

**Education**

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

**Professional Activities**

- \* Member, American Institute of Certified Public Accountants.
- \* Member, California Society of Certified Public Accountants.

**Continuing Education**

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

**Lionel Sanchez, *Certified Public Accountant* – Professional Audit Senior**

**Length of Career**

- Twenty years of experience in various accounting-related positions.
- Five years' experience in municipal auditing with a special focus on cities.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Albany	X					
Berkeley	X	X	X		X	X
Ceres	X	X			X	X
Citrus Heights	X	X	X		X	X
Corte Madera	X	X	X		X	X
Lemon Grove	X				X	
Newark	X	X	X			X
Redwood City	X	X			X	X
Rocklin	X		X		X	X
San Mateo	X	X	X		X	X
Counties:						
Contra Costa	X	X	X	X	X	X
Glenn		X				
Santa Cruz	X	X	X	X	X	X
Other:						
Coastside County Water District	X					
Fair Oaks Water District	X					
Lassen Regional Solid Waste Mgmt Authority	X					
Marin Municipal Water District	X	X				
North Coast Water District	X					
Peninsula Library Partnership	X					
Peninsula Library System	X					
San Mateo County Library	X					
Sanitary District #2, Corte Madera	X					
Tahoe City Public Utilities District	X					

**Education**

- BA Degree in Economics from University of New Mexico
- Post Baccalaureate in Accounting from California State University East Bay

**Professional Activities**

- \* Member, California Society of Certified Public Accountants.

**Continuing Education**

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

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**Robert Wucher – Information Technology Specialist**

Robert Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care, and not-for-profit organizations.

**Areas of Expertise**

- Systems Auditing and Controls Review (SEC AU-314, SAS-109, SAS-94)
- Sarbanes-Oxley, Section 404 IT Compliance Consulting and Auditing
- Journal Entry Analysis in Support of SAS-99 using IDEA by Caseware
- SSAE-16 (SOC 1,2 & 3), Type I & II Reporting (Formerly SAS-70)
- ERP/MRP System Reviews and Workflow Analysis
- Software as a Service (SaaS) Cloud Computing Technologies
- International and Multinational Company IT Audit Expertise
- Forensic Data Analysis and Litigation Support in Support of Fraud Auditing
- Systems Selection and Request-for-Proposal (RFP) Development
- Systems Programming and Data Conversion
- Systems Failure Analysis and Quality Improvement
- E-Commerce and EDI Systems
- Information Technology Strategic Planning
- System Process/Procedures Development and Implementation
- Disaster Recovery and Business Continuity Planning

**Publications**

- Author, The Top Five Tips Every Technology Executive Needs to Know About Sarbanes-Oxley, Published 2007, Aspatore Books
- Author, Winning Legal Strategies for Technology & E-Business, An Overview of IT Controls Under Sarbanes-Oxley Published 2005, Aspatore Books

**Presentations**

- IT Security Trends
- Data Privacy and Cloud Computing
- IT Trends and Red Flag Rule
- IT Controls for NFP Organizations

**Education**

- B.S. degree in Business Administration, Finance, Old Dominion University, Norfolk, VA.

**Professional and Civic Associations**

- Member, Information Systems Audit and Control Association (IASCA)
- MAS-90 Accounting Application Suite Qualified Installer, SAGE Systems
- Former Board Member, Pets are Wonderful Support (PAWS), San Francisco, CA

**Jessie Powell, CPA – Engagement Quality Reviewer**

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Prior to the establishment of Powell & Spafford, Inc. Certified Public Accountants in 1999 she was a shareholder of a large local firm - Soren McAdam Bartells. She joined the firm of Soren McAdam Bartells (formerly Ziilch McAdam & Copeland) in 1982 and became a shareholder in 1987.

Jessie is a member of the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA). She has served as team captain for the AICPA Peer Review Program through the CalCPA Peer Review Program for many years and was a member of the CalCPA Peer Review Committee. She has chaired the CalCPA Accounting Principles and Auditing Standards Committee and is still active on this committee. She also sits on the CalCPA Governmental Accounting & Auditing Committee; has sat on various task forces for the Society, is a past president of the local Inland Empire Chapter of CalCPA; past treasurer of CalCPA and a former committee member of the CalCPA Group Insurance Trust. Jessie is also a former member of the California State Board of Accountancy Administrative Committee. She has taught governmental and nonprofit audit and accounting classes at the university level and for practitioners including the annual CalCPA Accounting & Auditing Conference.

In her local community of Redlands, Jessie is current board member and former treasurer of Kimberly-Shirk Association, current board member and former president and treasurer of the YMCA of the East Valley and past treasurer of the Redlands Community Music Association and Family Service Association of Redlands. She is also a past treasurer and president of Soroptimist International of Redlands, of which she is still a member and actively involved. She is also an active member of the Redlands Chapter of the American Association of University Women.

**Education**

California State University, Long Beach  
Bachelor of Science, Business Administration

**Similar  
Engagements  
with Other  
Governmental  
Entities**

The table on the following page is a partial listing of our clients similar to the City, and illustrates the many different types of components involved in each audit engagement that present very difficult and complex auditing and accounting challenges.

- \* Indicates cities with population over 50,000
- \*\* Indicates cities with governmental revenues over 100 million and population over 50,000

	City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/ Successor Agency	Single Audit	TDA	Child Care Audit	Housing Authority	Enterprise Funds
**	Berkeley	2008	1800	Ahmed Badawi	Mr. Marvin Tam Accounting Manager (510)981-7332 mtam@ci.berkeley.ca.us	Yes	Yes	X	X	X			X
**	Redwood City	2006	600	Ahmed Badawi	Mrs. Alison Freeman Financial Services Manager (650)780-7071 afreeman@redwoodcity.org	Yes	Yes	X	X	X			X
**	San Mateo	2004	500	Ahmed Badawi	Mr. Drew Corbett Finance Director (650)522-7104 dcorbett@cityofsanmateo.org	Yes	Yes	X	X	X			X
**	Vacaville	2008	600	Ahmed Badawi	Mr. Jeremy Craig Finance Director (707)449-5104 jcraig@cityofvacaville.com	Yes	Yes	X	X	X	X		X
*	Union City	2006	600	Ahmed Badawi	Ms. Gayle Okada Supervising Accountant (510)675-5352 gayleo@unioncity.org	Yes	Yes	X	X	X			X
*	Antioch	2005	470	Ahmed Badawi	Ms. Dawn Merchant Finance Director (925)779-6135 Dmerchant@ci.antioch.ca.us	Yes	Yes	X	X	X			X
	Menlo Park	2014	514	Ahmed Badawi	Mr. Drew Corbett Finance Director (650)330-6640	Yes	Yes	X	X	X	X		X
	Newark	2009	550	Ahmed Badawi	Ms. Susie Woodstock Director of Administrative Services (510)578-4804 susie.woodstock@newark.org	Yes	Yes	X	X	X			
	Albany	2008	380	Ahmed Badawi	Mr. David Glasser Finance & Administrative Service Director (510)528-5730	Yes	Yes	X		X			X
	Rio Vista	2009	480	Ahmed Badawi	Ms. Mary Lee Sharer Finance Manager (707)374-6451 Ext. 1118 mlsharer@ci.rio-vista.ca.us	No	N/A	X	X	X			X
	Barstow	2012	550	Ahmed Badawi	Ms. Cindy Prothro Finance Director (760)255-5115 cprothro@barstow.ca.org	Yes	Yes	X	X				X
	Buena Park	2013	500	Ahmed Badawi	Mr. Sung Hyun Finance Director (714)562-3717 shuyn@buenapark.com	Yes	Yes	X	X				X
	Susanville	2013	450	Ahmed Badawi	Mr. Jared Hancock City Administrator (530)252-5100 jhancock@cityofsusanville.org	Yes	CSMFO		X				X
	East Palo Alto	2014	450	Ahmed Badawi	Ms. Brenda Olwin Finance Director (650)853-3122 bolwin@cityofepa.org	Yes	Yes	X	X				X
	Millbrae	2015	400	Ahmed Badawi	Mr. Kenneth Spray Finance Director (650)259-2433 kspray@ci.millbrae.ca.us	Yes	N/A	X					X
	Calimesa	2013	350	Ahmed Badawi	Ms. Bonnie Johnson Finance Director (909)795-9801 ext 231 bjohnson@cityofcalimesa.net	No	N/A						
	Yountville	2015	300	Ahmed Badawi	Mr. Richard Arrow Interim Finance Director (707)944-8851 rarrow@yville.com	No	N/A						X
	Lemon Grove	2013	350	Ahmed Badawi	Ms. Cathleen Till Finance Director (619)825-3803 ctill@lemongrove.ca.gov	No	N/A	X					X
	Crescent City	2014	300	Ahmed Badawi	Ms. Emily Boyd Finance Director (707)464-7483 x224 eboyd@crescentcity.org	No	N/A	X	X			X	X

The following is a partial list of selected governmental agencies for which our professional staff members have performed auditing services in accordance with generally accepted auditing standards, GAO auditing standards, Single Audit Act, OMB requirements, and other regulatory requirements.

**Child Care Programs**

- Contra Costa County Child Care Program
- Stanislaus County Child Care Program
- City of Menlo Park Child Care Program

**City Governments:**

- |                        |                       |                            |
|------------------------|-----------------------|----------------------------|
| • City of Pleasanton   | • City of Sunnyvale   | • City of Saratoga         |
| • City of Brisbane     | • City of Burlingame  | • City of Ceres            |
| • City of Eureka       | • City of Fairfield   | • City of Foster City      |
| • City of Santa Cruz   | • City of Saratoga    | • City of Menlo Park       |
| • City of Oceanside    | • City of Petaluma    | • City of Sanger           |
| • City of Dublin       | • City of Fremont     | • City of Ridgecrest       |
| • City of Redding      | • City of Los Altos   | • City of San Buenaventura |
| • City of San Rafael   | • City of Richmond    | • City of Shafter          |
| • City of Rocklin      | • City of San Bruno   | • City of Buena Park       |
| • City of Walnut Creek | • City of San Leandro | • City of East Palo Alto   |

**County Governments**

- County of Contra Costa
- County of Glenn
- County of Lassen
- County of Santa Cruz

**Water District:**

- Alameda County Water District
- South Coast Water District
- Marin Municipal Water District

**Special Districts**

- Dublin San Ramon Services District
- Livermore-Amador Valley Water Management Agency
- Port of Redwood City
- Cosumnes Community Service District
- Central County Fire District
- Coastside Fire Protection District
- Castro Valley Sanitary District
- West-County Wastewater District
- South Bayside Systems Authority

**Housing**

- Vacaville Housing Authority
- Crescent City Housing Authority
- Solano County Housing Authority

## Understanding of Services to be Provided

The City desires an audit of the financial records for the City and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending June 30, 2016, with option to extend the contract for two additional fiscal years.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statement which includes but is not limited to the financial statements of governmental activities, the business-type activities, each major fund and all aggregate remaining fund information in conformity with generally accepted accounting principles in the United States of America.
- Express an opinion on the fair presentation of its combining and individual non-major and fiduciary fund financial statements and schedules in conformity with generally accepted accounting principles. The Firm will provide an "in-relation-to" report on the supporting schedules contained in the comprehensive annual financial report based on the auditing procedures applied during the audit of the basic financial statements and schedules.
- Provide an "in-relation-to" report on the schedule of federal financial assistance based on the auditing procedures applied during the audit of the financial statements.
- Perform the audit in accordance with generally accepted auditing standards accepted in the United States of America, applicable to the financial audit contained in the Government Auditing Standards issued by the Comptroller General of the United States and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board.
- Issue the following reports, following the completion of the audit of the fiscal year's financial statements:
  - Independent Auditor's Report Opinion on Financial Statements and Schedule of Expenditure of Federal awards
  - 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
  - Management Letter comments on Internal Controls
  - Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB A-133
  - Schedule of findings and questioned costs
  - Auditor's Communication with Those Charged with Governance
  - Comprehensive Annual Financial Report following the requirements and guidelines of the GFOA award program
  - Gann Appropriation Limit Report
  - Lassen County Air Pollution Control District
- Provide special assistance to the City as needed.
- Retain all working papers and reports at the audit firm's expense for a minimum of 7 years. In addition, make working papers available to the City and/or any government agency as appropriate.

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the City Council and management detailing auditor's responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to City management.

The Firm will be available to provide advice and counsel regarding significant matters during the year.

The Firm's Partner and Staff welcome the opportunity to make presentations to the City Council and will be ready to respond to questions from the Council and citizens of the City.

#### **Objectives of Our Services**

The basic objective of our audit of the City is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the City:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities.
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations.
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation & documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

## **Specific Audit Approach**

#### **Audit Approach**

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the City, to perform the audit of the City's financial records in a timely manner with minimal disruptions to office operations, and to meet the City's timeline.

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA.
- 2) The standards contained in Government Auditing Standards issued by the GAO.
- 3) Provisions of the Single Audit Act and OMB Circular A-133.
- 4) Requirements issued by the California State Controller's office.
- 5) Other requirements as required.

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We will conduct the necessary audit steps to perform:

- Planning of the engagement.
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement.
- Determination of degree of compliance with laws, regulations, grant provisions, and City approved policies.
- Assessment of potential fraudulent issues.
- Validation of account balances.
- Verification of reasonableness of management estimates.

#### **Technical Approach**

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

1. **Planning, Understanding and Communication:**

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the City. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. **In-Depth Review of Systems and Controls:**

We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the City and understanding and experience with the City's accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the City's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

3. **Risk-Based Customized Testing Program:**

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

- Balance Sheets/ Statement of Net Position
- Statement of Revenues and Expenditures / Statement of Activities
- Presentation
- Disclosure

Our audit procedures will then be developed to address these risk areas.

4. **Expanded Interim Fieldwork:**

Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with City staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized. Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized.

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5. **Smooth Transition:**  
Our testing program focuses on audit risks identified by our understanding of the City's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and City staff will be fluid and continuous.
6. **Sample Size and Sampling Techniques:**  
Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.
7. **Automated Systems:**  
We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:
- Security Management
  - Logical and Physical Access
  - Configuration Management
  - Segregation of Duties
  - Contingency Planning
- In addition, we will review controls over:
- Input, processing, output, master data
  - Application interface
  - Data management system interface
- Our Information Technology Specialists Group will evaluate the IT operating control environment.
8. **Analytical Procedures:**  
We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the City to benefit from these procedures.
9. **Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:**  
We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the City are the requirements of the California Public Utilities Commission, Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution GANN Limit requirements, requirements of local measures, Child Care Program compliance requirements, etc.
10. **Report Format:**  
We will meet with City Management to review report formats. Any report format changes will be made in conjunction with approval from the City's management.
11. **Work Plans:**  
The detailed work plans will be designed to efficiently and effectively address the audit requirements of the City in accordance with generally accepted auditing standards, to perform the audit of the City's financial records in a timely manner with minimal disruptions to office operations, and to meet the City's timeline.

**12. Adjusting Journal Entries:**

We will discuss and explain proposed audit adjusting entries with the City's designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the City's general ledger system.

**13. Listing of Schedules and Tables (anticipated to be prepared by the City):**

Based on preliminary inquiries made with management and City staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the City for day to day operations and reporting, as well as any reports that are system generated to limit the need for additional City staff hours.

The following is a listing of significant reconciliations that we would normally expect the City to provide to us in assisting us in conducting our fieldwork.

- Trial Balance
- CAFR and Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the City
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Operating Leases
- Schedule of Expenditures of Federal Awards
- Analysis of Deferred Inflows of Resources and Deferred Outflows of Resources
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Utility billing Registers and Fee schedules
- Compensated Absences and Early Retirement Obligation Schedules and Copies of Related Policies
- Claims Payable schedules
- Pension and OPEB Roll Forward & Supporting Schedules
- GASB 54 Fund Balance Roll Forward Schedule
- Interfund Transaction Schedules

**14. Computer Software:**

The firm maintains a variety of software packages in the audit and financial statement compilation process, which include MS Office (Word, Excel, etc.), Prosystem fx Engagement, PPC Checkpoint and Checkpoint Tools, and Single Audit SMART Tool. Our I.T. Specialist also has the ability to run reports using IDEA (data analysis software).

Our audit software enables us to link our audit trial balance to the financial statements, for efficient financial statement compilation. It also allows us to create various analytical reports easily (e.g. year to year comparisons, budget to actual comparisons, trend analysis, ratio analysis, etc.).

Our research tools are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resource for us to provide guidance to our clients.

**We also use Prosystem electronic portal, which allows our clients to easily upload requested audit schedules and testing selections. The portal is very helpful in the audit process as it reduces duplicated audit requests, and allows our engagement team to review uploaded schedules prior to beginning audit fieldwork.**

**Audit Schedule**

2016 Period	Audit Tasks
	<p><b>Award of Contract</b></p> <p><b>Interim Audit Procedures:</b></p>
June	<p><b>- Planning and Administration</b></p> <ul style="list-style-type: none"> <li>▸ Review and obtain copies of key work papers of prior audit firm.</li> <li>▸ Entrance conference with City Management to discuss audit approach, timing, assistance, and issues</li> <li>▸ Review and evaluate the City's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements.</li> <li>▸ Prepare overall memo to City confirming audit procedures, timing, and assistance.</li> <li>▸ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by City staff, and provide it to City Management.</li> </ul>
June	<p><b>- Internal Control Evaluation</b></p> <ul style="list-style-type: none"> <li>▸ Meeting with key Finance Division personnel.</li> <li>▸ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation:                             <ul style="list-style-type: none"> <li>General ledger system.</li> <li>Budgeting system.</li> <li>Revenue, utility billing, accounts receivable, and cash collections.</li> <li>Purchasing, expenditures, accounts payable, and cash disbursements.</li> <li>Payroll.</li> <li>Federal Financial Assistance.</li> <li>Other systems.</li> </ul> </li> <li>▸ Identify control risks.</li> <li>▸ Evaluate IT control environment.</li> <li>▸ Perform testing of the internal control system and evaluate the effectiveness of the City's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with City policies.</li> <li>▸ Conduct fraud assessment procedures.</li> <li>▸ Assess degree of risk for material misstatement.</li> <li>▸ Provide to the City's management a memo concerning management letter points and identify issues, if any.</li> </ul>

2016 Period	Audit Tasks
June	<p data-bbox="553 394 678 415"><b>- Other Tasks</b></p> <ul style="list-style-type: none"> <li data-bbox="574 453 1179 474">▸ Review minutes of City Council meetings and other key committees.</li> <li data-bbox="574 485 1279 562">▸ Preliminary testing, verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required.</li> <li data-bbox="574 569 1052 590">▸ Preliminary Single Audit and other compliance testing</li> <li data-bbox="574 596 1260 653">▸ Coordinate with City staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> <li data-bbox="610 657 743 678">Bank accounts.</li> <li data-bbox="610 684 837 705">Investment pool accounts.</li> <li data-bbox="610 716 789 737">Accounts receivable.</li> <li data-bbox="610 747 740 768">Federal grants.</li> <li data-bbox="610 779 943 800">Revenue from governmental agencies.</li> <li data-bbox="610 810 805 831">Bond and other debts.</li> <li data-bbox="610 842 724 863">Pension plan.</li> <li data-bbox="610 873 740 894">Attorney letters.</li> <li data-bbox="610 905 781 926">Others, as required.</li> </ul> </li> <li data-bbox="574 926 1138 947">▸ Provide City with audit plan and list of year end audit schedules.</li> <li data-bbox="574 957 1016 978">▸ Hold progress conference with City Management.</li> <li data-bbox="574 989 967 1010">▸ Hold exit conference with City Management.</li> </ul>
September	<p data-bbox="553 1041 716 1062"><b>- Final Field work</b></p> <ul style="list-style-type: none"> <li data-bbox="574 1100 967 1121">▸ Entrance conference with City Management.</li> <li data-bbox="574 1131 959 1152">▸ Follow-up on all outstanding confirmations.</li> <li data-bbox="574 1163 1279 1241">▸ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required.</li> <li data-bbox="574 1247 1260 1304">▸ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual.</li> <li data-bbox="574 1310 1279 1388">▸ Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing City staff.</li> <li data-bbox="574 1394 1279 1451">▸ Perform review of subsequent events by discussions with City Management and update all minutes of City Council and key committees.</li> </ul> <p data-bbox="553 1472 781 1493"><b>- Single Audit Compliance</b></p> <ul style="list-style-type: none"> <li data-bbox="574 1530 967 1551">▸ Entrance conference with City Management.</li> <li data-bbox="574 1562 992 1583">▸ Obtain Federal Financial Assistance Schedule.</li> <li data-bbox="574 1593 1211 1614">▸ Determine grants to be considered as major programs including clusters.</li> <li data-bbox="574 1625 1295 1682">▸ Perform audit tests of major grant programs and compliance with Federal Law and Regulations.</li> <li data-bbox="574 1688 1235 1745">▸ Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements.</li> <li data-bbox="574 1751 1122 1772">▸ Coordinate Single Audit efforts with the Financial Audit efforts.</li> <li data-bbox="574 1782 967 1803">▸ Communicate findings to City Management.</li> <li data-bbox="574 1814 748 1835">▸ Other Compliance</li> </ul>

**Audit Schedule, Continued**

2016 Period	Audit Tasks
October	<p><b>- Audit Reports</b></p> <ul style="list-style-type: none"> <li>▸ Review and provide comment on City prepared reports.</li> <li>▸ Prepare draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs.</li> <li>▸ Prepare other reports as required.</li> <li>▸ Provide drafts of reports to City Management for review.</li> </ul>
October	<p>- Provide revised final drafts of all required reports to the City for approval</p>
November	<p><b>- Final Audit Reports, Financial Statements, and Single Audit Reports delivered.</b></p>

**Discussion of  
Relevant  
Accounting  
Issues**

**Identification of Anticipated Potential Audit Problems**

We do not anticipate that there will be any audit problems at the City. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Investments:
  - Evaluate compliance with GASB 31.
  - Review and evaluate the City's authorization and approval process of its investments.
  - Review and evaluate the City's controls to assure compliance with investment limitations and types of specific investments.
  - Review and evaluate the City's monitoring of its investments.
- Financial Reporting:
  - Review and evaluate that the City's Annual Financial Reports are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
  - Review Annual Financial Reports for financial reporting conformance awards issued by CSMFO and GFOA.
  - Review and evaluate degree of compliance with the various GASBs in effect.
  - Review degree of compliance with infrastructure obligations and regulatory provisions.
- Internal Control Structure:
  - Review and evaluate the City's internal control functions and ascertain compliance with proper internal control philosophies.
  - Review computer system processes and controls and evaluate adequacy of the control environment.

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

**2016**

- Statement 72 – Fair Value Measurement and Application
- Statement 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendment to Certain Provisions of GASB Statements 67 and 68
- Statement 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- Statement 79 – Certain external investment pools and pool participants

**2017**

- Statement 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- Statement 77 – Tax Abatement Disclosures

**2018**

- Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension

**Proposed Pricing**

**NOT-TO-EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE**

In accordance with the Request for Proposals for Professional Auditing Services issued by City of Susanville, the firm referenced below hereby submits the following cost proposal:

Schedule of Professional Fees and Expenses to Support the Total All-Inclusive Maximum Price				
Positions	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partner	30	\$ 200	\$ 150	\$ 4,500
Manager	60	\$ 150	\$ 120	\$ 7,200
Supervisory Staff	85	\$ 125	\$ 85	\$ 7,225
Staff	115	\$ 100	\$ 70	\$ 8,050
Admin	5	\$ 75	\$ 65	\$ 325
I.T Specialist	5	\$ 150	\$ 140	\$ 700
Sub-Total				\$ 28,000
Out-of-Pocket Expenses				-
<b>Total</b>				<b>\$ 28,000</b>

All-Inclusive Maximum Price			
	FY 2015-16	FY 2016-17 (Optional)	FY 2017-18 (Optional)
City	\$ 23,000	\$ 23,690	\$ 23,690
Lassen County Air Pollution Control District	\$ 2,000	\$ 2,060	\$ 2,060
Single Audit	\$ 3,000	\$ 3,090	\$ 3,090
<b>Total</b>	<b>\$ 28,000</b>	<b>\$ 28,840</b>	<b>\$ 28,840</b>

**Rates for Additional Professional Services:**

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates. While it can be difficult to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services, we want to provide the following information regarding our published billing rates:

Position	Rate
Partner	\$ 250.00
EQR	250.00
Manager	200.00
Senior	150.00
Staff	125.00
IT	150.00
Admin.	90.00

## City of Susanville

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Our fees are firm fixed prices that are based on an estimate of 300 hours to perform procedures necessary to provide the requested services. In determining our fees, we understand that the City's records will be in condition to be audited ; that is, transactions will be properly recorded in the general ledger and subsidiary records, these accounting records and the original source documents will be readily available to use, we will be furnished with copies of bank reconciliations, and other reconciliations and analyses prepared by the City and The City personnel will be reasonably available to explain procedures, prepare audit correspondence and obtain files and records

Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary, which we will communicate and discuss with the City. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at your request. Changes to the timing of the engagement usually require reassignment of personnel used by Badawi & Associates ("the Firm") in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, the Firm may incur significant unanticipated costs
2. All requested schedules are not (a) provided by the accounting personnel on the date requested, (b) completed in a format acceptable to the Firm (c) mathematically correct, or (d) in agreement with the appropriate underlying records (e.g., general ledger accounts). The Firm will provide the accounting personnel with a separate listing of required schedules and deadlines.
3. Weaknesses in the internal control structure.
4. Significant new issues or unforeseen circumstances as follows:
  - a. New accounting issues that require an unusual amount of time to resolve.
  - b. Changes or transactions that occur prior to the issuance of our report.
  - c. Changes in the City's accounting personnel, their responsibilities, or their availability.
  - d. Changes in auditing requirements set by regulators. Significant delays in the accounting personnel's assistance in the engagement or delays by them in reconciling variances as requested by the Firm. All invoices, contracts and other documents which we will identify for the City, are not located by the accounting personnel or made ready for our easy access.
5. A significant level of proposed audit adjustments is identified during our audit.
6. Changes in audit scope caused by events that are beyond our control.
7. Untimely payment of our invoices as they are rendered.

**Conclusion**

A client relationship with the City will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the City. We are committed to:

- Rendering the highest standard of service.
- Developing a long-term working relationship dedicated to meeting the needs of the City.
- Assisting the City in operational issues.
- Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the City and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the City and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

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Appendix A

References

- 1) City of San Mateo
  - Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure A (San Mateo County), Due Diligence Reviews for the RDA Successor Agency
  - Contract Amount: \$60,000
  - Engagement Partner: Ahmed Badawi
  - Address: 330 W 20<sup>th</sup> Avenue, San Mateo, CA 94403
  - Principal Contact:  
Mr. Drew Corbett  
Director of Finance  
Phone: (650)522-7102  
[dcorbett@cityofsanmateo.org](mailto:dcorbett@cityofsanmateo.org)
  
- 2) City of East Palo Alto
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Measure C, Measure A Report (San Mateo County)
  - Contract Amount: \$60,000
  - Engagement Partner: Ahmed Badawi
  - Address: 2415 University Avenue, East Palo Alto, CA 94303
  - Principal Contact:  
Mrs. Brenda Olwin  
Finance Director  
Phone: (650) 853-3122  
[bolwin@cityofepa.org](mailto:bolwin@cityofepa.org)
  
- 3) City of Newark
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Utility Users Tax, Vehicle Registration Fee Audit (Alameda County), Measure B (Alameda County), Transportation Development Act, Newark Betterment Corporation Audit, Newark Betterment Corporation 990 Tax Return, Due Diligence Reviews for the RDA Successor Agency
  - Contract Amount: \$55,000
  - Engagement Partner: Ahmed Badawi
  - Address: 37101 Newark Blvd, Newark, CA 94560
  - Principal Contact:  
Mrs. Susie Woodstock  
Director of Administrative Services  
Phone: (510)578-4804  
Fax: (510)578-4358  
[susie.woodstock@newark.org](mailto:susie.woodstock@newark.org)
  
- 4) City of Redwood City
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Communication Users Tax, Measure A Report (San Mateo County), Due Diligence Reviews for the RDA Successor Agency
  - Contract Amount: \$60,000
  - Engagement Partner: Ahmed Badawi
  - General Fund Budget (2015) \$101 million
  - Finance Department Personnel 18
  - Address: 1017 Middlefield Road, Redwood City, CA 94063
  - Principal Contact:  
Mrs. Alison Freeman  
Finance Manager  
Phone: (650) 780-7071  
[Afreeman@redwoodcity.org](mailto:Afreeman@redwoodcity.org)

## City of Susanville

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- 5) City of Berkeley
- Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure B (Alameda County), Vehicle Registration Fee Audit (Alameda County), Due Diligence Reviews for the RDA Successor Agency
  - Contract Amount: \$188,000
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mr. Marvin Tam  
Accounting Manager  
(510)981-7332  
[mtam@ci.berkeley.ca.us](mailto:mtam@ci.berkeley.ca.us)