



City of Lemon Grove  
City Council Regular Meeting Agenda  
Tuesday, January 15, 2019, 6:00 p.m.

Lemon Grove Community Center  
3146 School Lane, Lemon Grove, CA

*The City Council also sits as the Lemon Grove Housing Authority, Lemon Grove Sanitation District Board, Lemon Grove Roadway Lighting District Board, and Lemon Grove Successor Agency*

Call to Order

Pledge of Allegiance:

Changes to the Agenda:

Presentation:

SDG&E Presentation of Activities in the Region, presented by Dinah Willier Public Affairs Manager.

Public Comment:

(Note: In accordance with State Law, the general public may bring forward an item not scheduled on the agenda; however, the City Council may not take any action at this meeting. If appropriate, the item will be referred to staff or placed on a future agenda.)

1. Consent Calendar:

(Note: The items listed on the Consent Calendar will be enacted in one motion unless removed from the Consent Calendar by Council, staff, or the public.)

A. Waive Full Text Reading of All Ordinances on the Agenda

Reference: Kristen Steinke, City Attorney

Recommendation: Waive the full text reading of all ordinances included in this agenda; Ordinances shall be introduced and adopted by title only.

B. City of Lemon Grove Payment Demands

Reference: Molly Brennan, Finance Director

*Recommendation: Ratify Demands*

C. Approval of Meeting Minutes

Regular Meeting

December 18, 2018

Reference: Shelley Chapel, City Clerk

*Recommendation: Approve Minutes*

D. Approval of Resolution Designating Special Enforcement Counsel for Election and Campaign Finance Control

Reference: Kristen Steinke, City Attorney

*Recommendation: Adopt Resolution entitled, "A Resolution of the City Council of the City of Lemon Grove, California, appointing Attorney Holly O. Whatley as Special Enforcement Counsel for Election and Campaign Finance Control."*

- E. Resolution Approving a Seventh Amendment to the Option Agreement between the City of Lemon Grove and the San Diego Land Trust for 8084 Lemon Grove Way.

Reference: Mike Viglione, Assistant Planner

*Recommendation: Adopt Resolution entitled, "A Resolution of the City Council of the City of Lemon Grove, California, approving the Seventh Amendment to an Option Agreement with the San Diego Community Land Trust for the Parcel Identified as 8084 Lemon Grove Way (APN 475-450-19-00)."*

- F. Application for the Connect Main Street Phase 3-6 Project for San Diego Association of Governments Cycle 4 Regional Active Transportation Program Funding.

Reference: Mike James, Assistant City Manager / Public Works Director

*Recommendation: Adopt a Resolution entitled, "A Resolution of the City Council of the City of Lemon Grove, California, Regarding an Application for the Connect Main Street Phase 3-6 Project for the San Diego Association of Governments Cycle 4 Regional Active Transportation Program."*

Public Hearing:

2. Introduction of Ordinance, adding Chapter 17.20.050 to the Lemon Grove Municipal Code establishing Emergency Shelter Overlay Zone, and amending Chapter 17.16.070 to reference New Emergency Shelter Overlay Zone, and Approve a Zone Change to Amend Zoning Map to include Specific Parcels in the General Commercial Zone; Zoning Amendment ZA1-800-0003.

*Recommendation: Take public input, close the Public Hearing and Introduce Ordinance approving Zoning Amendment ZA1-800-0003, adding Chapter 17.20.050 to the Lemon Grove Municipal Code establishing an emergency shelter overlay zone for the South Broadway site; amending Chapter 17.16.070 to reference the new emergency shelter overlay zone in the General Commercial (GC) zone; and approve a zone change to amend the Lemon Grove Zoning Map to include specific GC zoned parcels within the new emergency shelter overlay zone. Instruct staff to schedule second reading of ordinance and adoption for future meeting.*

*Reference: Claudia Tedford, Consultant CityPlace Planning*

Reports to Council:

3. 2017-2018 Annual Financial Report

Reference: Molly Brennan, Finance Manager

Recommendation: *Receive, review, and file.*

4. Ordinance No. 450 Amending Section 17.28.020 (Application Procedures) of the Lemon Grove Municipal Code to Create a New Process to Allow for Early Separation Findings for Land Uses with Separation Requirements

Reference: Kristen Steinke, City Attorney

*Recommendation: Conduct Second Reading, by Title Only, and Adopt Ordinance No. 450 Amending Section 17.28.020 (Application Procedures) of the Lemon Grove Municipal Code to Create a New Process to Allow for Early Separation Findings for Land Uses with Separation Requirements.*

City Council Oral Comments and Reports on Meetings Attended at the Expense of the City.  
(GC 53232.3 (d)) (53232.3.(d) states that members of a legislative body shall provide brief reports on meetings attended at the expense of the local agency at the next regular meeting of the legislative body.)

City Manager and Department Director Reports: (Non-Action Items)

Closed Session:

1. Conference with Legal Counsel – Existing Litigation (Government Code Section §54956.8)  
Name of Case: April Flake v. City of Lemon Grove, et al. (SDSC Case No. 37-2017-00049330-CU-OR-CTL)
  
2. Liability Claim (Government Code Section §54956.95)  
Claimant: Mary Ann Scott  
Agency Claimed Against: City of Lemon Grove

Adjournment

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In compliance with the Americans with Disabilities Act (ADA), the City of Lemon Grove will provide special accommodations for persons who require assistance to access, attend and/or participate in meetings of the City Council. If you require such assistance, please contact the City Clerk at (619) 825-3800 or email [schapel@lemongrove.ca.gov](mailto:schapel@lemongrove.ca.gov). A full agenda packet is available for public review at City Hall.

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AFFIDAVIT OF NOTIFICATION AND POSTING

STATE OF CALIFORNIA )  
COUNTY OF SAN DIEGO) SS  
CITY OF LEMON GROVE)

I, Shelley Chapel, MMC, City Clerk of the City of Lemon Grove, hereby declare under penalty of perjury that a copy of the above Agenda of the Regular Meeting of the City Council of the City of Lemon Grove, California, was delivered and/or notice by email not less than 72 hours before the hour of 5:30 p.m. on January 10, 2019, to the members of the governing agency, and caused the agenda to be posted on the City's website at [www.lemongrove.ca.gov](http://www.lemongrove.ca.gov) and at Lemon Grove City Hall, 3232 Main Street Lemon Grove, CA 91945.

/s/: Shelley Chapel  
Shelley Chapel, MMC, City Clerk



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

Item No. 1.A

Meeting Date: January 15, 2019

Submitted to: Honorable Mayor and Members of the City Council

Department: **City Manager's Office**

Staff Contact: Kristen Steinke, City Attorney

Item Title: Waive the Full Text Reading of all Ordinances

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Summary: Waive the full text reading of all ordinances included in this agenda. Ordinances shall be introduced and adopted by title only.

Environmental Review:

Not subject to review

Negative Declaration

Categorical Exemption, Section [

]  Mitigated Negative Declaration

Fiscal Impact: None.

Public Notification: None.



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

**Item No. 1.B**

**Meeting Date:** January 15, 2019  
**Submitted to:** Honorable Mayor and Members of the City Council  
**Department:** City Manager's Office  
**Staff Contact:** Molly Brennan, Finance Manager  
<mailto:MBrennan@lemongrove.ca.gov>

**Item Title:** **City of Lemon Grove Payment Demands**

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**Recommended Action: Ratify Demands.**

**Environmental Review:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration           |
| <input type="checkbox"/> Categorical Exemption, Section   | <input type="checkbox"/> Mitigated Negative Declaration |

**Fiscal Impact:** None.

**Public Notification:** None.

**City of Lemon Grove Demands Summary**

Approved as Submitted:

Molly Brennan, Finance Manager

For Council Meeting: 01/15/19

ACH/AP Checks 12/06/18-01/02/19

1,061,387.16

Payroll - 12/18/18

122,101.79

Payroll - 01/02/19

148,871.60

Total Demands

1,332,360.55

CHECK NO	INVOICE NO	VENDOR NAME	CHECK DATE	Description	INVOICE AMOUNT	CHECK AMOUNT
ACH	Nov21-Dec4 18	Calpers Supplemental Income 457 Plan	12/06/2018	457 Plan 11/21/18-12/4/18	7,625.09	7,625.09
ACH	Dec4 18	Employment Development Department	12/06/2018	State Taxes 12/4/18	8,739.99	8,739.99
ACH	Refill 12/6/18	Pitney Bowes Global Financial Services LLC	12/07/2018	Postage Usage 12/6/18	250.00	250.00
ACH	3568860625/1218 4154920380/1218	SDG&E	12/11/2018	Electric Usage:St Light 10/31/18-11/30/18 Electric Usage:St Light 10/31/18-11/30/18	1,271.22 1,887.96	3,159.18
ACH	Nov18	Wells Fargo Bank	12/11/2018	Bank Service Charge - Nov'18	498.36	498.36
ACH	Dec4 18	US Treasury	12/11/2018	Federal Taxes 12/4/18	28,251.68	28,251.68
ACH	Nov18	Wells Fargo Bank	12/12/2018	Credit Card Processing-Mo.Svc Charge - Nov'18 Credit Card Transaction Fees - Nov'18	626.46 9.95	636.41
ACH	Oct18	San Diego County Sheriff's Department	12/13/2018	Law Enforcement Services - Oct'18	488,032.19	488,032.19
ACH	Nov18	Home Depot Credit Services	12/13/2018	Home Depot Purchases - Nov'18	618.75	618.75
ACH	Nov7-Dec4 18	California Public Empl Retirement System	12/14/2018	Pers Retirement 11/7/18-12/4/18	62,413.40	62,413.40
ACH	501967	Aflac	12/17/2018	Aflac Insurance 12/20/18	602.58	602.58
ACH	Dec18	Southern CA Firefighters Benefit Trust	12/20/2018	LG Firefighters Benefit Trust	1,661.40	1,661.40
ACH	Dec18 18	Employment Development Department	12/20/2018	State Taxes 12/18/18	6,753.07	6,753.07
ACH	Dec5-Dec18 18	Calpers Supplemental Income 457 Plan	12/21/2018	457 Plan 12/5/18-12/18/18	5,519.27	5,519.27
ACH	Refill 12/20/18	Pitney Bowes Global Financial Services LLC	12/21/2018	Postage Usage 12/20/18	400.00	400.00
ACH	Dec18 18	US Treasury	12/24/2018	Federal Taxes 12/18/18	21,800.62	21,800.62
ACH	56989576	WEX Bank	12/24/2018	Fuel - Fire Dept - Nov'18	454.89	454.89
ACH	Dec18	Power Pay Biz/Evo	01/02/2019	Online Credit Card Processing - Dec'18	73.25	73.25
10604	6288 6289 6290 6291 6292	Aguirre & Associates	12/12/2018	6800 Mallard Map Review - Nov '18 Celsius II Map Review - Nov '18 LGA Realignment Map Review - Nov '18 2235 Debco Street Dedication - Nov '18 LGA Realignment Map Review - Nov '18	172.50 287.50 345.00 275.00 460.00	1,540.00
10605	12230496	AT&T	12/12/2018	Fire Backup Phone Line- 10/22/18-11/21/18	39.70	39.70
10606	5656484975 5656484976 5656485033 5656494163	AutoZone, Inc.	12/12/2018	Brake/Parts Cleaner/Lubricant - LGPW #52 Skidsteer Teflon Tape - LGPW #52 Skidsteer O Rings for Hydraulic Line - LGPW #52 Skidsteer Diesel Exhaust Fluid - LGPW #32 GapVax	10.54 1.71 8.61 26.94	47.80
10607	32747	Aztec Landscaping Inc.	12/12/2018	Landscape Mgmt Svc - Oct'18	9,629.00	9,629.00
10608	4759391	Bearcom	12/12/2018	Portable Radios Monthly Contract 11/22/18-12/21/18	150.00	150.00
10609	904260-9	BJ's Rentals	12/12/2018	Propane	5.99	5.99
10610	Dec 2018	California Dental Network Inc.	12/12/2018	California Dental Insurance -Dec18	349.96	349.96
10611	4027679161 4027684297	Canon Solutions America, Inc.	12/12/2018	Canon Maintenance-Copier Usage 8/26/18-11/25/18 Canon Maintenance-Copier Usage 8/27/18-11/26/18	65.41 59.06	124.47
10612	Castenada	Castenada, Oscar	12/12/2018	Refund/Castenada, Oscar/Business License Fees	150.25	150.25
10613	4013286815	Cintas Corporation #694	12/12/2018	Janitorial Supplies - 12/6/18	580.50	580.50
10614	906	City of Chula Vista	12/12/2018	Animal Control Services- Oct '18	24,163.00	24,163.00

10615	166	CityPlace Planning, Inc.	12/12/2018	Interim Dev Svcs Dir Tasks - Nov '18	10,573.32	10,573.32
10616	010077 010078 010079	Cloud Security Systems	12/12/2018	Service/Security Sys/3131 School Lane/Rec Ctr 1/1/19-12/31/19 Service/Security Sys/8235 Mt Vernon St/Sr Ctr 1/1/19-12/31/19 Service/Sec Sys/8235 Mt Vernon St/Sr Ctr/Round Rm 1/1/19-12/31/19	216.00 240.00 240.00	696.00
10617	Nov18	Colonial Life	12/12/2018	Colonial Optional Insurance -Nov18	446.80	446.80
10618	81930705	Corelogic Solutions, LLC.	12/12/2018	RealQuest Graphics Package - Nov'18	300.00	300.00
10619	19CTOFLGN05	County of San Diego- RCS	12/12/2018	800 MHZ Network - Nov '18	2,935.50	2,935.50
10620	12/1/2018 12/31/2018 12/29/2018 12/29/2018	Cox Communications	12/12/2018	Main Phone/Fire- 12/1/18-12/31/18 Phone/City Hall- 12/1/18-12/31/18 Internet/Community Ctr- 11/30/18-12/29/18 Peg Circuit Svc- 11/30/18-12/29/18	470.69 975.26 75.00 2,896.29	4,417.24
10621	4454 4665 4666 4667 4668 4679 4680 4681	D- Max Engineering Inc.	12/12/2018	6859 Federal MMD Stormwater Review 8/1/18-8/9/18 Center Hilltop Condos Stormwater Inspection 10/1/18-10/31/18 Golden Ave Row Homes Stormwater Inspection 10/1/18-10/31/18 LGA Realignment Stormwater Inspection 10/1/18-10/31/18 D-Max Stormwater Prof Svcs thru 10/31/18 1963 Berry St Doc Review 11/1/18-11/26/18 8321 Mt Vernon Doc Review 11/1/18-11/26/18 7051-53 Casa Ln Doc Review 11/1/18-11/26/18	217.20 420.11 216.36 241.25 708.91 437.50 437.50 375.00	3,053.83
10622	001118560	DAR Contractors	12/12/2018	Animal Disposal- Nov '18	174.00	174.00
10623	210774 210774	Dell Awards	12/12/2018	Nameplate for City Council Mtgs- Hidalgo Nameplate for City Council Mtgs- City Atty - Steinke	11.85 11.86	23.71
10624	OSIP 65537	Department of Industrial Relations	12/12/2018	Workers Comp Admin Assessment 7/1/18-6/30/19	1,775.25	1,775.25
10625	11/19-21/18	Esgil Corporation	12/12/2018	75% Building Fees- 11/19/18-11/21/18	4,617.98	4,617.98
10626	Reimb 12/11/18	Gonzalez, Monica	12/12/2018	Reimbursement - Winter Bonfire Supplies 12/7/18	70.06	70.06
10627	00058162 00058162	Hudson Safe-T- Lite Rentals	12/12/2018	Mo. Rntl - Water Wall Dividers/LGA Realignment 11/8/18-11/21/18 Pick Up Charge/Water Wall Dividers/LGAR 11/8/18-11/21/18	2,112.00 330.00	2,442.00
10628	1514	Janazz, LLC SD	12/12/2018	IT Services- City Hall- Nov'18	2,500.00	2,500.00
10629	131155 131156	Knott's Pest Control, Inc.	12/12/2018	Monthly Bait Stations- Civic Ctr - Dec18 Monthly Bait Stations- Sheriff - Dec18	60.00 45.00	105.00
10630	201808	Lemon Grove Car Wash, Inc.	12/12/2018	Full Service Oil Change - LGPW #16/22/23 - 11/20/18	134.97	134.97
10631	LGHS 11/23/18	Lemon Grove Historical Society	12/12/2018	Reimb- Tree Trimming/Civic Ctr Park- 11/13/18 & 11/21/18	500.00	500.00
10632	4560576	Mallory Safety and Supply, LLC	12/12/2018	Nitrile Gloves/Rain Suit	298.47	298.47
10633	148684	Pacific Sweeping	12/12/2018	Street Sweeping/Parking Lot/Power Washing/Bus Shelters - Oct'18	6,428.55	6,428.55
10634	3102653701	Pitney Bowes Global Financial Services LLC	12/12/2018	Postage Meter Rental 9/30/18-12/29/18	180.75	180.75
10635	PD-40330	Plumbers Depot Inc.	12/12/2018	LGPW#26 Sewer Camera Repair/Clutch Shafts	1,265.64	1,265.64
10636	31600234 31600358	RCP Block & Brick, Inc.	12/12/2018	Bulk Soil - Senior Ctr Bulk Concrete Sand - Fire Station	23.76 102.79	126.55
10637	0064769 0064770 17546F(8)	Rick Engineering Company	12/12/2018	Prof Svc: City Engineer 9/29/18-10/26/18 Prof Svc: 20A UG Dist Project 9/29/18-10/26/18 Prof Svc: 2017/18 CIP Sewer Proj- 8 Locations 9/29/18-10/26/18	40,738.73 115.00 4,900.00	45,753.73
10638	Nov18	SDG&E	12/12/2018	Gas & Electric 10/19/18-11/19/18	21,458.90	21,458.90
10639	3394-11	Select Electric Corp.	12/12/2018	Traffic Signal Maintenance- Nov'18	4,285.86	4,285.86
10640	88221807 88222817	SiteOne Landscape Supply, LLC	12/12/2018	Cabinet Handles - PW Yard Sandbags - Fire Station	84.54 140.29	224.83
10641	WD-0140903	State Water Resources Control Board	12/12/2018	Annual Permit Fee - Water Discharge Requirement 7/1/18-6/30/19	2,286.00	2,286.00
10642	5187607	US Bank	12/12/2018	Admin Fees - 2010 Bonds 11/1/18-10/31/19	2,662.00	2,662.00
10643	72020952 72040624	Vulcan Materials Company	12/12/2018	Asphalt Asphalt	148.91 235.27	384.18
10644	2016.04-027	West Coast General Corporation	12/12/2018	LGA Realignment Proj- 9/1/18-9/30/18	127,951.11	127,951.11
10645	12845	AAA Imaging	12/19/2018	Business Cards/Ortuno	75.42	75.42
10646	11632	AdminSure	12/19/2018	Workers' Compensation Claims Administration - Jan'19	440.42	440.42
10647	Almontes	Almontes, Ana	12/19/2018	Refund/Almontes,Ana/Deposit - LBH 12/1/18	200.00	200.00

10648	32864	Aztec Landscaping Inc.	12/19/2018	Landscape Mgmt Svc - Nov'18	9,629.00	9,629.00
10649	900746-9 905058-9 910751-9	BJ's Rentals	12/19/2018	Fuel for Light Towers - Bonfire 12/7/18 Generator Rental - Bonfire 12/7/18 Equipment Rental - Lift Scissor 19' Fire Station	181.93 303.38 195.80	681.11
10650	Jan 2019	California Dental Network Inc.	12/19/2018	California Dental Insurance -Jan19	348.86	348.86
10651	12/18/18	California State Disbursement Unit	12/19/2018	Wage Withholding Pay Period Ending 12/18/18	161.53	161.53
10652	19526831 19526832	Canon Financial Services Inc.	12/19/2018	Canon Copier Contract Charge 12/20/18-1/19/19 Canon Plotter 2 Yr Carepack Contract Charge 12/20/18-1/19/19	81.35 72.73	154.08
10653	00063784 00063785 00063812 00063814 00063815	Chicago Title Company	12/19/2018	Prelim Report - Bakersfield St, Lemon Grove Prelim Report - 1847 Bakersfield St, Lemon Grove Prelim Report - 1837 Bakersfield St, Lemon Grove Prelim Report - 1829-1833 Bakersfield St, Lemon Grove Prelim Report - 1825 Ensenada St, Lemon Grove	750.00 750.00 750.00 1,000.00 750.00	4,000.00
10654	4012377072 4013610492	Cintas Corporation #694	12/19/2018	Janitorial Supplies - 11/15/18 Janitorial Supplies - 12/13/18	218.66 218.66	437.32
10655	FRS0000133 FRS0000133	City of El Cajon	12/19/2018	Overtime Reimbursement - Cameron 11/26/18 Overtime Reimbursement - Kelsen 11/25/18	1,197.49 705.85	1,903.34
10656	1942 1943	Clark Telecom & Electric Inc.	12/19/2018	Street Light Dig Alert Mark Outs - Nov'18 Street Light Repairs - Nov'18	351.74 892.50	1,244.24
10657	12/6/2018 12/6/2018 12/4/2018	Cox Communications	12/19/2018	Calsense Modem Line:2259 Washington 12/6/18-1/5/19 Calsense Modem Line:7071 Mt Vernon 12/6/18-1/5/19 Phone/Rec Ctr/ 3131 School Ln- 12/4/18-1/3/18	21.11 20.01 97.75	138.87
10658	4690 4710	D- Max Engineering Inc.	12/19/2018	8055 Golden Ave Plan Review thru 11/30/18 D-Max Stormwater Prof Svcs thru 11/30/18	125.00 5,271.67	5,396.67
10659	210967	Dell Awards	12/19/2018	Nameplate for City Council Mtgs- Mayor Pro Tem - Arambula	11.85	11.85
10660	1118.21.0260	Dexter Wilson Engineering, Inc.	12/19/2018	Metro JPA Wastewater Issues - Nov'18	9,302.50	9,302.50
10661	11/26-29/18 12/3-6/18	Esgil Corporation	12/19/2018	75% Building Fees- 11/26/18-11/29/18 75% Building Fees- 12/3/18-12/6/18	4,561.85 3,179.83	7,741.68
10662	59998	EW Truck & Equipment Company, Inc.	12/19/2018	LGPW#32- GapVax - Repair Water Pump Switch	357.82	357.82
10663	GreaterFellow	Greater Fellowship MBC	12/19/2018	Refund/Greater Fellowship/Deposit-LBH 12/15/18	200.00	200.00
10664	120618-06 120618-07 121318-03	Heartland Fire Training Facility	12/19/2018	Registration - Safety Officer/FEMA- 12/6/18 Hull Registration - Safety Officer/FEMA- 12/6/18 Loftis Registration - Aerial Physics- Nov'18 Pepin	78.00 78.00 62.50	218.50
10665	00058221 00058298 00058352	Hudson Safe-T- Lite Rentals	12/19/2018	White Striping Paint/Striping Wand Lane Marker Post & Base - Bonfire 12/7/18 Warning Cross Traffic Signs - LGA Realignment	175.37 389.70 286.86	851.93
10666	Dec18 18	ICMA	12/19/2018	ICMA Deferred Compensation Pay Period Ending 12/18/18	580.77	580.77
10667	10	Lemon Grove School District	12/19/2018	Hot Chocolate Preparation - Bonfire 12/7/18	50.00	50.00
10668	INV23677	Logiccoppy	12/19/2018	Ricoh C3502 Copier Contract Charge- PW Yard - 12/7/18-1/6/19	51.58	51.58
10669	Nov 18 Nov 18 Nov 18 Nov 18 Nov 18 Nov 18 Nov 18	Lounsbury Ferguson Altona & Peak LLP	12/19/2018	General 01163-00002 - Nov '18 Code Enforcement 01163-00003 - Nov '18 01163-00028 - Nov '18 Sanitation Dist 01163-00036 - Nov '18 01163-00044 - Nov '18 01163-00043 - Nov '18 01163-00041 - Nov '18	14,393.07 699.51 2,853.15 132.80 182.60 33.20 99.60	18,393.93
10670	1566	Miller Spatial Services, LLC	12/19/2018	GIS Analyst/Consulting/Support Services- Jul thru Nov 2018	2,063.75	2,063.75
10671	6280 6293	North County EVS, Inc.	12/19/2018	E10 Service Call/Torsion Bar/Control Arm Bushings E210 Service Call/Replace Starter/Batteries	2,128.86 1,937.83	4,066.69
10672	148965	Pacific Sweeping	12/19/2018	Street Sweeping/Parking Lot/Power Washing/Bus Shelters - Nov'18	6,428.55	6,428.55
10673	3010286638	Parkhouse Tire Inc.	12/19/2018	4 Tires - E210	2,059.40	2,059.40
10674	1203242	Planetbids, Inc.	12/19/2018	PB System Vendor & Bid Mgmt Setup/Training/Support & Svc	4,875.00	4,875.00
10675	Robles	Robles, Nanci	12/19/2018	Refund/Robles,Nanci/Deposit - LeeHouse 12/15/18	200.00	200.00
10676	SAOBAY LLC	SAOBAY LLC	12/19/2018	Refund/SAOBAY LLC/Vo Phuong, Thi/TPM-000-0179/Time Ext 10/9/18	99.92	99.92
10677	613136	Savmart Pharmaceutical Service	12/19/2018	Medical Supplies/Ventolin	130.30	130.30
10678	88221807-001	SiteOne Landscape Supply, LLC	12/19/2018	Poly Scoop - Senior Center	84.54	237.67

	88222817-001			Sandbags	140.29	
	88238644-001			Sprinkler Supplies - Senior Center	12.84	
10679	CLM-2 CLM-3 CLM-4	Smith Air Conditioning	12/19/2018	Service Call- AC Unit #4 Repair/Sheriff Stn Service Call- AC Unit #1 Repair/Sheriff Stn Service Call- AC Unit #2 Repair/Sheriff Stn	355.00 218.00 142.50	715.50
10680	1576	SoCal PPE	12/19/2018	Cleaning & Repairs -Turnouts	2,175.50	2,175.50
10681	Swain	Swain, Irene	12/19/2018	Refund/Swain,Irene/Deposit-RecCtr 11/25/18	200.00	200.00
10682	00074321	The East County Californian	12/19/2018	Public Hearing Notice - Zoning Amendment - 12/6/18	203.00	203.00
10683	STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018 STMT 11/23/2018	US Bank Corporate Payment Systems	12/19/2018	Fuel/Woolsey Fire Lodging/PARMA Conference/Anaheim- 2/8/19 James Bonfire Supplies 12/7/18 Parking/Deposition 10/30/18 James/Romero Supplies - Ear Plugs/True Fuel - Fire Stn Meeting/CSMFO 12/13/18 Brennan Supplies/Flash Drives Membership/SHRM Hidalgo CWEA-SDCert Prep 11/7/18 Wilkens/Hunt/Rodriguez SSCSC & CWE Workshop 11/29/18 Irons/Hunt/Rodriguez Vehicle Supplies/Coveralls	166.10 226.98 706.57 64.00 64.61 30.00 29.99 192.00 105.00 150.00 72.41	1,807.66
10684	9819593412	Verizon Wireless	12/19/2018	Modems- Cardiac Monitors - 11/4/18-12/3/18	14.20	14.20
10685	11558	AdminSure	12/19/2018	Workers' Compensation Claims Administration - Dec'18	440.42	440.42
10686	Jan-Jun 19	Adams Robert	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,042.44	1,042.44
10687	Jan-Jun 19	Anderson, Curtis	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10688	Jan-Jun 19	Anderson, Edith	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,042.44	1,042.44
10689	Jan-Jun 19	Brackmann, Bruce	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,042.44	1,042.44
10690	01/01/19	California State Disbursement Unit	01/02/2019	Wage Withholding Pay Period Ending 1/1/19	244.14	244.14
10691	19519005	Canon Financial Services Inc.	01/02/2019	Canon Plotter Contract Charge 12/21/18-1/20/19	144.00	144.00
10692	Jan-Jun 19	Chamberlain, Dale	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10693	4013978605	Cintas Corporation #694	01/02/2019	Janitorial Supplies - Fire - 12/20/18	451.70	451.70
10694	4722 4723 4724 4725 4726	D- Max Engineering Inc.	01/02/2019	1993 Dain Dr Doc Review 11/1/18-11/30/18 Golden Doors Stormwater Inspection 11/1/18-11/30/18 6800 Mallard Ct Stormwater Inspection 11/1/18-11/30/18 Celsius Phase II- 18/19 Stormwater Inspection 11/1/18-11/30/18 LGA Realignment Stormwater Inspection 11/1/18-11/30/18	403.38 108.27 158.86 239.25 211.36	1,121.12
10695	Jan-Jun 19	Davison, William	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10696	1118.06.0138	Dexter Wilson Engineering, Inc.	01/02/2019	Eng Svc-District's Sewer System Mgmt Plan - Oct/Nov'18	5,890.00	5,890.00
10697	INV1013765	George Hills Company	01/02/2019	Annual Medicare/CMS Report Fee	250.00	250.00
10698	Jan-Jun 19	Harper, Raymond	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,042.44	1,042.44
10699	Jan1 19	ICMA	01/02/2019	ICMA Deferred Compensation Pay Period Ending 1/1/19	580.77	580.77
10700	Jan-Jun 19	Laff, Timothy	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10701	Jan-Jun 19	Maciejewski, Frank	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10702	Jan-Jun 19	Marcon, Romeo	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10703	Jan-Jun 19	McBride, Thomas	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10704	Jan-Jun 19	Mullins, Karl	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10705	IN1290934	Municipal Emergency Services Inc.	01/02/2019	Headset Repairs	1,096.63	1,096.63
10706	223854	Ninyo & Moore	01/02/2019	Materials Testing - Broadway/Federal Paving Proj thru 11/30/18	4,877.00	4,877.00
10707	Jan-Jun 19	Ott, Manie	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,042.44	1,042.44
10708	Jan-Jun 19	Ott, Mike	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10709	37413	Regional Training Center/GTA	01/02/2019	Supervisor's Academy Training/Landeros - Jan 2018	550.00	550.00
10710	Jan-Jun 19	Schmidtman, Warren	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10711	Jan-Jun 19	Smith, Timothy	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10712	SW-0159572	State Water Resources Control Board	01/02/2019	MS4 Permit Annual Fee - 10/1/18-6/30/19	10,672.50	14,230.00

	SW-0159572			MS4 Permit Annual Fee - 7/1/19-9/30/19	3,557.50	
10713	Jan-Jun 19	Taff, Jon	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,200.00	1,200.00
10714	1220180380	Underground Service Alert of Southern Ca.	01/02/2019	44 New Ticket Charges - Dec'18	82.60	82.60
10715	9820210105 12/12/2012	Verizon Wireless	01/02/2019	City Phone Charges- 11/13/18-12/12/18 PW Tablets- 11/13/18-12/12/18	393.77 188.78	582.55
10716	Jan-Jun 19	Wright, Nancy	01/02/2019	Retiree Health Benefit - Jan'19-Jun'19	1,042.44	1,042.44
					1,061,387.16	1,061,387.16



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

Item No. 1.C

Meeting Date: January 15, 2019

Submitted to: Honorable Mayor and Members of the City Council

Department: **City Manager's Office**

Staff Contact: Shelley Chapel, City Clerk

[Schapel@lemongrove.ca.gov](mailto:Schapel@lemongrove.ca.gov)

Item Title: Approval of City Council Meeting Minutes

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Recommended Action: Approval of City Council Meeting Minutes for Regular Meeting held December 18, 2018.

Environmental Review:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Not subject to review Negative | <input type="checkbox"/> Declaration                    |
| <input type="checkbox"/> Categorical Exemption, Section 15300.3    | <input type="checkbox"/> Mitigated Negative Declaration |

Fiscal Impact: None.

Public Notification: None.

**MINUTES OF A MEETING OF  
THE LEMON GROVE CITY COUNCIL  
TUESDAY, DECEMBER 18, 2018**

*The City Council also sits as the Lemon Grove Housing Authority,  
Lemon Grove Sanitation District Board, Lemon Grove Roadway Lighting District Board,  
and Lemon Grove Successor Agency.*

**Call To Order:**

Mayor Vasquez called the Regular Meeting to order at 6:06 p.m.

**Present:** Mayor Racquel Vasquez, Mayor Pro Tem Jerry Jones, Councilmember Jennifer Mendoza, and Councilmember Matt Mendoza.

**Absent:** Councilmember David Arambula,

**Staff Members Present:**

Lydia Romero, City Manager, James Lough, City Attorney, Mike James, Assistant City Manager/Public Works Director, Steven Swaney, Fire Chief, Lieutenant Scott Amos, San Diego County Sheriff's Office - Lemon Grove Substation, Mike Viglione, Assistant Planner, Shelley Chapel, City Clerk, Roberto Hidalgo, Human Resources Manager, and Molly Brennan, Finance Manager.

**Pledge of Allegiance:**

Presentation of Colors and Pledge of Allegiance to be led by Boy Scout Troop #108.

**Changes to the Agenda:**

*City Manager Romero announced that Item 4 would be pulled from the agenda and not discussed.*

*Mayor Vasquez announced that Item 2 would be heard out of order.*

2. Declaring the Results of the November 6, 2018, General Municipal Election Certified Results, and Induction and Administration of Oath of Office.

Mayor Vasquez introduced Shelley Chapel, City Clerk who gave the report and PowerPoint.

There were no public speakers.

**Action: Motion by Councilmember J. Mendoza, seconded by Councilmember M. Mendoza, to adopt Resolution No. 2018-3628, entitled, "A Resolution of the City of Lemon Grove, California, Recognition the Fact of the General Municipal Election Conducted on November 6, 2018, and Declaring the Results," and Authorizing the City Clerk to Induct the re-elected City Councilmembers into Office by reciting the Oath of Office.**

**The motion passed by the following vote to adopt Resolution No. 2018-3628:**

**Ayes: Vasquez, Jones, J. Mendoza, M. Mendoza**

**Noes: None.**

**Absent: Councilmember Arambula**

Induction and Administration of Oath of Office of re-elected City Councilmembers by City Clerk Shelley Chapel was performed.

Presentation:

Mayor Vasquez presented Certificates of Appreciation to Leaders and Scout Cadets of Boy Scout Troop 108 for their participation in the Oath of Office event.

Mayor Vasquez presented Certificates of Appreciation to Miss Lemon Grove and her court for their participation in the Oath of Office event.

Reception:

*Mayor Vasquez called a brief recess to celebrate the induction of re-elected Councilmember Jennifer L. Mendoza and Councilmember Jerry Jones at 6:20 p.m. and reconvened the meeting at 6:46 p.m. with Councilmembers in attendance present.*

**Public Comments:**

Appeared to comment were: John L. Wood, Helen Halmay, and Brenda Hammond.

**1. Consent Calendar:**

- A. Waive Full Text Reading of All Ordinances on the Agenda.
- B. Ratification of Payment of Demands
- C. City Council Meeting Minutes for the Regular Meeting of December 4, 2018.
- D. Mayor Pro Tem Rotation – Councilmember David Arambula named Mayor Pro Tem by adoption of Resolution No. 2018-3624.
- E. Approval of Local Appointments List Update for 2019
- F. Ratify City Council Appointments for 2019
- G. Adoption of Resolution No. 2018-3625, entitled, “A Resolution of the City Council of the City of Lemon Grove, California, Approving a Final Map for Tentative Map TM0061,” and authorized the City Clerk to accept the easements and on the Final Map.
- H. Adoption of Resolution No. 2018-3626, entitled, “A Resolution entitled, “A Resolution of the City Council of the City of Lemon Grove, California, Approving the Authorization of Application Submittal for the CalRecycle Beverage Container Recycling City/County Payment Program,” and directed staff to submit the application to CalRecycle for any and all payment programs offered.”

Items G and H were pulled for discussion by John L. Wood.

**Action: Motion by Mayor Pro Tem Jones, seconded by Councilmember J. Mendoza, to approve Consent Calendar Items A-H**

**The motion passed by the following vote:**

**Ayes: Vasquez, Jones, J. Mendoza, M. Mendoza**

**Noes: None.**

**Absent: Arambula**

Public Hearing:

3. Policy Review Ordinance No. 2018-450, a request to consider Zoning Amendment ZA1-800-0002 Separation Findings for Discretionary Permit.

*The City Council will consider an Ordinance amending Section 17.28.020 (Application Procedures) of the Lemon Grove Municipal Code to Create a New Process to Allow for Early Separation Findings for Land Uses with Separation Requirements.*

Recommendation: *Conduct the Public Hearing and Introduce Ordinance No. 2018-450.*

Mayor Vasquez introduced Mike Viglione, Associate Planner who presented the staff report and PowerPoint Presentation.

Mayor Vasquez opened the Public Hearing at 7:07 p.m.

There were no public speakers.

The public hearing was closed at 7:09 p.m.

**Action:** It was moved by Mayor Pro Tem Jones, and seconded by Councilmember M. Mendoza to accept First Reading of the Ordinance and schedule for adoption at the January 15, 2019, City Council Meeting.

**The motion passed by the following roll call vote:**

**Ayes:** Vasquez, Jones, J. Mendoza, M. Mendoza

**Absent:** Arambula

Reports to Council:

5. Ordinance No. 449, Adding Chapter 8.70 of the Lemon Grove Municipal Code Establishing the Tobacco Retailer License.

*The City Council will conduct the second reading, by title only, and adopt Ordinance No. 449 adding Chapter 8.70 to the Lemon Grove Municipal Code.*

Mayor Vasquez introduced Lydia Romero, City Manager who presented the staff report. City Attorney Lough read the title into record.

There were no public speakers.

**Action:** It was moved by Mayor Pro Tem Jones, and seconded by Councilmember J. Mendoza to adopt Ordinance No. 449.

**The motion passed by the following vote:**

**Ayes:** Vasquez, Jones, J. Mendoza, M. Mendoza

**Absent:** Arambula

**City Council Oral Comments and Reports on Meetings Attended at the Expense of the City:**

**Councilmember J. Mendoza** attended the following meetings and events:

- Attended the City Bonfire and worked in fundraising tent for Lyons Club
- Library Gingerbread House Decorating Contest
- League of California Cities monthly meeting with City Manager
- SANDAG Transportation Committee Meeting

**Councilmember M. Mendoza** attended the following meetings and events:

- Thanked Jim Lough for his service
- Thanked City staff for their hard work and dedication
- Merry Christmas and Happy New Year

**Mayor Pro Tem Jones** attended the following meetings and events:

- Wished everyone Happy Holidays
- Thanked Jim Lough for his service
- SANDAG Meeting
- Metro Wastewater Meeting

**Mayor Vasquez** attended the following meetings and events:

- SANDAG Meeting
- Attended the Annual City Bonfire
- Urban League 2018 Celebration of Women in Leadership
- Attended Legislative Update
- Rock Church Toys 4 Joy Event
- Library Annual Gingerbread House Decorating Contest
- US Third Fleet 12 Star Holiday Reception
- San Diego Apartment Association Holiday Open House
- A Phillip Randolph Institute Holiday Bazaar
- Thanked City Attorney Jim Lough for his legal advice and services

**City Manager and Department Director Reports:**

Mike James, Assistant City Manager /Public Works stated he would pass along gratitude to staff from Council regarding the successful Bonfire Event.

Lydia Romero, City Manager reminded the public of City Hall closure during the holidays.

Jim Lough, City Attorney conveyed his gratitude to Council and Staff for their professionalism during his tenure with the City.

Mayor Vasquez wished everyone Happy Holidays and a Happy New Year.

**Adjournment:**

There being no further business to come before the Council, the meeting was adjourned at 7:31 p.m. to a meeting to be held Tuesday, January 15, 2019, at 6:00 p.m. in the Lemon Grove Community Center located at 3146 School Lane, for a Regular Meeting.

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Shelley Chapel, MMC  
City Clerk



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

Item No. 1.D.

Meeting Date: January 15, 2019

Submitted to: Honorable Mayor and Members of the City Council

Department: **City Manager's** Office

Staff Contact: Kristen Steinke, City Attorney

[KSS@LFAP.com](mailto:KSS@LFAP.com)

Item Title: RESOLUTION DESIGNATING SPECIAL ENFORCEMENT  
COUNSEL FOR ELECTION AND CAMPAIGN FINANCE  
CONTROL

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Recommended Action: Adopt Resolution Appointing Attorney Holly O. Whatley as Special Enforcement Counsel for Election and Campaign Finance Control.

### Summary:

This Resolution designates Attorney Holly O. Whatley as Special Enforcement Counsel for Election and Campaign Finance Control. Ms. Whatley will serve as the Enforcement Officer under Lemon Grove Municipal Code ("**LGMC**") Chapter 9.08 and shall be tasked with all duties and responsibilities outlined in that Chapter, including, investigation of any complaints of campaign finance violations.

### Discussion:

During the last election, it came to the attention of the City Clerk and the City Attorney that violations of LGMC Chapter 9.08 (Election and Campaign Finance Control) may have occurred based on evidence directly received by the City Clerk and discussed with the City Attorney. Both the City Clerk and City Attorney believe that this evidence triggers a duty for the Clerk and Attorney to request the appointment of a Special Enforcement Counsel to review and investigate the matter. If the recommended appointment is approved, a complaint will be filed with the Special Counsel immediately regarding the acts that are believed to be violation of Chapter 9.08. Section 9.08.050 (Enforcement Authority) states as follows:

- A. The enforcement authority, appointed by the City Council, shall enforce the provisions of this chapter.
- B. Any person who believes that a violation of any portion of this chapter has occurred may file a complaint with the enforcement authority by depositing such complaint in the office of the city clerk. The city clerk shall forward the

complaint to the enforcement authority within three working days. If the enforcement authority determines that there is reason to believe a violation of this chapter has occurred, it shall make an investigation. Whenever the enforcement authority has reason to believe a willful violation of this chapter has occurred or is about to occur, it may institute such legal action at such time as it deems necessary to prevent further violations.

- C. The enforcement authority shall have such investigative powers as are necessary for the performance of the duties prescribed in this chapter and may demand records of campaign contributions and expenses at any time.
- D. The enforcement authority shall determine whether required statements and declarations have been filed as required, and, if so, whether they conform with the requirements of this chapter.
- E. The enforcement authority may enforce this chapter using civil, administrative, or criminal remedies in its discretion. The enforcement authority may seek administrative remedies pursuant to Chapter 1.24 of the Lemon Grove Municipal Code. (Ord. 406 § 3. 2011).

If the recommended appointment is approved the Special Counsel will have independent authority as laid out in LGMC Section 9.08.050.

Attorney Holly O. Whatley is well versed in elections law and has a notable background in handling cases that require the technical knowledge necessary to enforce these laws. She will provide the City with impeccable service and the utmost professionalism in resolving any election violation claims.

The enforcement of campaign laws is an important part of our democratic process. The use of donations above the legal limit can have a significant impact on the outcome of an election. Failure to enforce can send a message to future candidates that the campaign limits can be ignored.

Environmental Review:

- Not subject to review
- Negative Declaration
- Categorical Exemption, Section [            ]
- Mitigated Negative Declaration

Fiscal Impact: None.

Public Notification: None.

Attachments:

Attachment A – Resolution Appointing Attorney Holly O. Whatley as Special Enforcement Counsel for Election and Campaign Finance Control.

RESOLUTION NO. 2019-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA, APPOINTING HOLLY O. WHATLEY AS SPECIAL ENFORCEMENT COUNSEL FOR ELECTION AND CAMPAIGN FINANCE CONTROL

WHEREAS, the City Council desires to appoint Special Counsel to handle complaints for violations of election and campaign finance laws codified in Chapter 9.08 of the Lemon Grove Municipal Code; and

WHEREAS, the City Council desires to appoint Attorney Holly O. Whatley as Special Enforcement Counsel for Election and Campaign Finance Control.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lemon Grove, California, hereby appoints Attorney Holly O. Whatley as Special Enforcement Counsel for Election and Campaign Finance Control for the City of Lemon Grove.

PASSED AND ADOPTED on \_\_\_\_\_, 2019, the City Council of the City of Lemon Grove, California, adopted Resolution No. \_\_\_\_\_, passed by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Raquel Vasquez, Mayor

Attest:

\_\_\_\_\_  
Shelley Chapel, MMC, City Clerk

Approved as to Form:

\_\_\_\_\_  
Kristen Steinke, City Attorney



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

Item No. 1.E

Meeting Date: January 15, 2019

Submitted to: Honorable Mayor and Members of the City Council

Department: Development Services Department

Staff Contact: Mike Viglione, Associate Planner

[mviglione@lemongrove.ca.gov](mailto:mviglione@lemongrove.ca.gov)

Item Title: Seventh Amendment to Option Agreement Between City of Lemon Grove and the San Diego Community Land Trust

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Recommended Action: Adopt a resolution amending the Option Agreement to provide a six-month time extension and allow for revision of the accepted ground lease.

### Summary:

In September 2014, the City and San Diego Community Land Trust (SDCLT) entered into a Purchase Option Agreement for the eventual sale of 8084 Lemon Grove Way which is Lemon Grove Housing Authority owned land. The Purchase Option Agreement requires SDCLT to complete milestones by specified dates to ensure that SDCLT progresses towards purchase of 8084 Lemon Grove Way. The final project milestone—securing building and site improvement permits and securing, as to form, the 99-year ground lease proposed to be used as the conveyance of Affordable Unit interests—was to be completed by May 19, 2016, and the Sixth Option Amendment extended this date to January 31, 2019. The ground lease was accepted on October 17, 2017 but standards for common area maintenance and provisions to ensure its adequate funding were inadvertently omitted. A further time extension will allow for the correction of the ground lease and finalization of the permits required by the ultimate milestone.

### Discussion:

On September 22, 2014, the City and San Diego Community Land Trust (SDCLT) entered into a Purchase Option Agreement for the eventual sale of 8084 Lemon Grove Way which is owned by the Lemon Grove Housing Authority (City Council Resolution No. 2014-3284 dated September 16, 2014). A nine unit housing development is currently entitled on the subject property based on approvals in 2007 and amendments approved on March 1, 2016. The Purchase Option Agreement allows SDCLT to purchase the property for one dollar per unit in exchange for constructing the units and restricting them to moderate income households via their 99-year ground lease mechanism. The Purchase Option

Agreement requires SDCLT to achieve certain milestones by specified dates to ensure SDCLT has done their due diligence to determine whether the project is feasible.

The first milestone—submission of a business plan—was to be achieved by December 2014. The business plan was submitted on December 1, 2014, and the City Council reviewed the business plan and provided feedback to SDCLT on January 6, 2015.

The second milestone—securing entitlements and construction financing—was to be achieved by September 2, 2015, and October 19, 2015, respectively. Minimal revisions to the approved Tentative Map (TM0052) and Planned Development Permit (PDPO6-09) were proposed and amendments to the floor and elevation plans were approved by the City Council on March 1, 2016. Entitlements for both the tentative map and planned development permit are secured since there has been substantial progress towards the issuance of a final map, grading plan, improvement plan and building permits for the completion of the project. While the first three amendments extended the deadline to provide evidence of construction financing, the fourth amendment approved on October 17, 2017, revised the second milestone to allow SDCLT to secure financing a minimum of 10 days prior to exercising the option.

The third milestone—submission of building and site improvement applications—was to be achieved by April 4, 2016. This milestone required submission of development plans and technical studies required for a grading permit, building permit, landscape permit, and a final map. Appropriate plans and reports include building and site construction plans, grading plans, a landscape documentation package, an acoustical analysis, a Storm Water Quality Management Plan and a hydrology report, and potentially other necessary reports, studies, and plans in accordance with City Council Resolutions 2694 and 2695, which approved TM0052 and PDPO6-09 **respectively. In addition, a “Hold Harmless”** agreement was required for each submittal. In February of 2016, SDCLT submitted the necessary permit applications achieving the third milestone.

The fourth milestone—securing building and site improvement permits and securing approval as to form of the 99-year ground lease proposed to be used as the conveyance of Affordable Unit interests—was originally to be achieved by May 19, 2016 but subsequent amendments to the Purchase Option Agreement extended the deadline to January 31, 2019. The fourth milestone requires that the permits applied for in the third milestone be issued and improvements secured either through a bond or cash deposit with appropriate fees paid prior to transfer of the Property.

Staff is currently reviewing a December 2018 resubmittal of the Grading and Improvement Plans and Final Map required for the satisfaction of the fourth milestone. At the outset of this review however, it was learned that standards for common area maintenance and its funding were inadvertently omitted from the ground lease approved

by the City Council on October 17, 2017. Such standards ensure residents are adequately notified of their obligations under the lease agreement and thus their inclusion in the ground lease warrants further consideration to ensure the fourth milestone is wholly complete. Amending the ground lease to include these provisions would require further City Council action which can only be accommodated with an additional time extension. City staff estimates that the review and remediation of the ground lease, and finalization of the building and engineering permits required by the fourth milestone can be completed within six months.

Accordingly, the proposed Seventh Amendment to the Option Agreement Between City of Lemon Grove and San Diego Community Land Trust extends the deadline for the fourth milestone to June 31, 2019 and extends the Option Term to September 22, 2019. The proposed amendment also includes an acknowledgment of the ground lease revisions **and reserves the City's right to review and approve or disapprove said revisions.**

Should the City Council decide to take no action and/or decline to amend the Option Agreement, it is likely the Option Agreement will terminate on January 31, 2019 due to nonfulfillment of the fourth milestone. As a consequence, the developer would need to renegotiate a new Option Agreement with the City should they continue to pursue the project. At that time, the City Council may choose to pursue other opportunities for the property if this Option Agreement in fact does terminate.

Environmental Review:

- Not subject to review                       Negative Declaration  
 Categorical Exemption, Section [            ]     Mitigated Negative Declaration

Fiscal Impact: None.

Public Notification: None.

Attachments:

Attachment A – Resolution Amending the Option Agreement



RESOLUTION NO. 2019-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA, APPROVING THE SEVENTH AMENDMENT TO AN OPTION AGREEMENT WITH THE SAN DIEGO COMMUNITY LAND TRUST FOR THE PARCEL IDENTIFIED AS 8084 LEMON GROVE WAY (475-450-19-00)

*WHEREAS*, on June 20, 2006, and June 19, 2007, the former Lemon Grove Community Development Agency and a developer entered into loan agreements for the development of nine townhome units at 8084 Lemon Grove Way; and

*WHEREAS*, said developer defaulted on the loan agreements, resulting in the parcel identified as 8084 Lemon Grove Way becoming property of the City of Lemon Grove; and

*WHEREAS*, in 2014, the San Diego Community Land Trust provided a formal offer to purchase 8084 Lemon Grove Way from the City of Lemon Grove; and

*WHEREAS*, **the San Diego Community Land Trust's offer included a** commitment to develop and construct a minimum of nine affordable housing units to be ground leased for a 99-year period to households earning from 80 percent to 120 percent of the San Diego Area Median Income at the time of sale or resale; and

*WHEREAS*, on June 17, 2014, the City Council directed City staff to negotiate purchase agreements with the San Diego Community Land Trust, based on its offer; and

*WHEREAS*, on May 17, 2016, the City Council approved an amendment to the Option Agreement with the San Diego Community Land Trust extending the expiration date of Option Agreement milestone 7.4 to October 19, 2016 and the option term to March 22, 2017 (both six month extensions) and including an Optionee requirement to execute an Affordable Housing Agreement and Regulatory Agreement and a Notice of Affordability Restrictions on Transfer of Property; and

*WHEREAS*, the City negotiated a second amendment to the Option Agreement with the San Diego Community Land Trust further extending the expiration date of milestone 7.4 to April 19, 2017, and the option term to September 22, 2017 (both six month extensions); and

*WHEREAS*, the City negotiated a third amendment to the Option Agreement with the San Diego Community Land Trust further extending the expiration date of milestone 7.4 to October 19, 2017, and the option term to March 22, 2018 (both six month extensions) and requiring milestone 7.2 – secure construction financing – to be completed by July 19, 2017; and

*WHEREAS*, the City negotiated a fourth amendment to the Option Agreement with the San Diego Community Land Trust further extending the expiration date of milestone 7.4 to April 19, 2018, and the option term to September 22, 2018 (both six month extensions) requiring milestone 7.2 – secure construction financing – to be completed a minimum of 10 days prior to the execution of the option; and accepted the form of Ground lease, Ground Lease Rider and Regulatory Agreement; and

*WHEREAS*, the City negotiated a fifth amendment to the Option Agreement with the San Diego Community Land Trust further extending the expiration date of milestone 7.4 to October 19, 2018 and the option term to March 22, 2019 (both six month extensions); and

*WHEREAS*, the City negotiated a sixth amendment to the Option Agreement with the San Diego Community Land Trust further extending the expiration date of milestone 7.4 to January 31, 2019; and

*WHEREAS*, the City has negotiated a seventh amendment to the Option Agreement with the San Diego Community Land Trust further extending the expiration date of milestone 7.4 to June 31, 2019 and the option term to September 22, 2019 and providing for the right to review and modify the accepted ground lease used as the conveyance of Affordable Unit interests; and

*NOW, THEREFORE, BE IT RESOLVED* that the City Council of the City of Lemon Grove, California hereby:

1. Approves a Seventh Amendment to the Option Agreement (Exhibit A) between the City of Lemon Grove and the San Diego Community Land Trust; and
2. Authorizes the City Manager to execute said Amendment and related documents reasonably necessary for fulfilling the terms of the Option Agreement, as amended, subject to minor modifications.

*PASSED AND ADOPTED* on \_\_\_\_\_, 2019, the City Council of the City of Lemon Grove, California, adopted Resolution No. \_\_\_\_\_, passed by the following vote:

*AYES:*

*NOES:*

*ABSENT:*

*ABSTAIN:*

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*Racquel Vasquez, Mayor*

*Attest:*

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*Shelley Chapel, MMC, City Clerk*

*Approved as to Form:*

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*Kristen Steinke, City Attorney*

**EXHIBIT A (PAGES 8 THROUGH 9)**  
**SEVENTH AMENDMENT TO OPTION AGREEMENT**

This Seventh Amendment to Option Agreement (“**Seventh Amendment**”) is entered into as of January \_\_, 2019, by and between and between THE CITY OF LEMON GROVE a public body (“**Optionor**”) and THE SAN DIEGO COMMUNITY LAND TRUST a California 501(c)(3) non-profit organization (“**Optionee**”),

RECITALS:

A. Optionor and Optionee entered into that certain Option Agreement dated September 22, 2014 relating to the Property commonly known as 8084 Lemon Grove Way, Lemon Grove, CA (APN 475-450-19-00), as amended by the First Amendment dated March 18, 2016, as amended by the Second Amendment dated October 5, 2016, as amended by the Third Amendment dated April 17, 2017, as amended by the Fourth Amendment dated October 18, 2017, as amended by the Fifth Amendment dated April 18, 2018, and as amended by the Sixth Amendment dated October 18, 2018 (together the “**Option Agreement**”).

B. Optionor and Optionee desire to further amend the Option Agreement set forth herein. All initially capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Option Agreement.

AGREEMENT:

NOW THEREFORE, and in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Optionor and Optionee hereby agree as follows:

1. Extension of Option Term. Paragraph 4 of the Option Agreement is deleted in its entirety and replaced as follows:

“4. Option Term. The Option may be exercised upon the Effective Date and no later than September 22, 2019 (the “**Option Term**”), unless terminated earlier under the terms of Section 6. If the Option is not exercised in accordance with the provisions and conditions hereof during the Option Term, then the Option shall expire and the parties shall have no further obligations under this Agreement with the exception of any surviving indemnification obligations as provided in this Agreement.”

2. Extension of deadline for Permits and Optionor’s Approval. Subparagraph 7.4 of the Option Agreement is deleted in its entirety and replaced as follows:

“7.4 No later than June 31, 2019, Optionee shall have (i) completed all requirements necessary for Building and Site Improvement Permits (including building, street improvement, and grading plans shall be issued and the final map approved by City Council), with the exception of payment of fees for the foregoing permits and plans (“Permit Fees”). All outstanding Permit Fees shall be delivered to Escrow prior to the transfer of the Property to Optionee and shall be a Developer (Optionee) deliverable under section 2.6 of the revised Real Estate Purchase and Sale Agreement (“PSA”), as attached to the Fourth Amendment as Fourth Amendment Exhibit A.”

3. Acceptance of Revised Ground Lease. As of the date of this Seventh Amendment, Optionor acknowledges that the form of the 99 year ground lease previously accepted by Optionor under the Fourth Amendment which is proposed to be used as the conveyance of the Affordable Housing Unit interests, has been revised to provide for Common Area Fees to be paid by Homeowner ground lessees for the maintenance of Common Areas. Prior to Optionee's exercise of its Option, Optionor reserves the right to review and either approve or disapprove the terms of the revised Ground Lease.

4. Counterparts. This Seventh Amendment may be signed in multiple counterparts with the same force and effect as if all original signatures appeared on one copy; and in the event, this Seventh Amendment is signed in counterparts, each counterpart shall be deemed an original and all of the counterparts shall be deemed to be one Seventh Amendment.

5. Effect of Seventh Amendment. Except as amended hereby, the Option Agreement remains in full force and effect.

IN WITNESS WHEREOF, Optionor and Optionee have executed this Seventh Amendment as of the date set forth above.

**OPTIONOR:**

THE CITY OF LEMON GROVE,

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

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

Its: \_\_\_\_\_

Approved as to legal form:

By \_\_\_\_\_  
Kristen S. Steinke, City Attorney

**OPTIONEE:**

THE SAN DIEGO COMMUNITY LAND TRUST,

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

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

Its: \_\_\_\_\_



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

Item No. 1.F

Meeting Date: January 15, 2019

Submitted to: Honorable Mayor and Members of the City Council

Department: Public Works Department

Staff Contact: Mike James, Assistant City Manager / Public Works Director

[mjames@lemongrove.ca.gov](mailto:mjames@lemongrove.ca.gov)

Item Title: Application For The Connect Main Street Phase 3-6 Project  
For San Diego Association of Governments Cycle 4 Regional  
Active Transportation Program Funding

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Recommended Action: Adopt a resolution approving an application for the Connect Main Street Phase 3-6 Project for San Diego Association of Governments Cycle 4 Regional Active Transportation Program (ATP) Funding.

Summary: In July 2018, City staff submitted an application to the State of California ATP to design and construct phases three through six of the Connect Main Street project. In December 2018, staff learned that its application was not recommended for award. However, there is a secondary ATP regional grant program that staff can now submit the same application for consideration. This staff report supports a resolution that will recommend, if the application receives funding, to exchange regional ATP dollars with TransNet Active Transportation Grant Program (ATGP) dollars. The chief benefit of this exchange is a reduction in city administrative staff work associated with federal funding requirements.

Discussion: In 2015, 30 percent design concepts for the Connect Main Street Extension Project was approved by the City Council. This project proposed multiple surface treatments, park improvements, walking/biking paths on Main Street from Broadway to southerly City limits. Since the concept approval, City staff has applied for any applicable grant funds to assist with the design completion and construction of the Connect Main Street Project. Most recently in 2017, staff was awarded a Housing-Related Parks Program Grant to construct segment I, phase I of the Connect Main Street project between Broadway and Central Avenue. In addition to that, the City was award a Smart Growth Improvement Program grant that funded the Main Street Promenade Park design and construction.

In keeping with this process, staff applied for a statewide ATP grant to complete phases three through six. In December 2018, staff learned that its application for \$6.4 million was unsuccessful. The application ranked 13<sup>th</sup> out of 49 applications from San Diego County, 140<sup>th</sup> out of 554 applications received statewide, and only four applications were awarded from San Diego County cities. **The total score for the city's application was 83** out of 100, with a minimum score of 90 required for funding consideration.

**Even though the City's application was unsuccessful, the ATP program has a secondary** grant review and award process that is delegated to the regional level. This program, the Regional ATP grant program, is available to all applications that did not receive funding in the statewide ATP program. Considering the **City's** application was in the top 30 percent of County applications, staff is optimistic that the prospect of being selected at the regional level is good based on the limited number of applications submitted from the County.

Staff anticipates the following timeline will apply to this process moving forward:

- January 2019: Projects not programmed distributed to large metropolitan planning organizations (MPOs) based on location. **This is SANDAG for the City's** application process.
- February 15, 2019: Deadline for MPO draft project programming recommendations to the California Transportation Commission (Commission).
- April 30, 2019: Deadline for MPO final project programming recommendations to the Commission.
- June 26-27, 2019: Commission adopts MPO selected projects.

If awarded, the grant funds will be awarded in Fiscal Year 2019-2020 and the estimated design and construction timeline **for the City's project** may last through Fiscal Year 2023-2024.

Environmental Review:

- Not subject to review                       Negative Declaration  
 Categorical Exemption, Section [            ]     Mitigated Negative Declaration

Fiscal Impact: None.

Public Notification: None.

Attachments:

Attachment A – Resolution

RESOLUTION NO. 2019 -

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE,  
CALIFORNIA, REGARDING AN APPLICATION FOR THE CONNECT MAIN  
STREET PHASE 3-6 PROJECT FOR THE SAN DIEGO ASSOCIATION OF  
GOVERNMENTS CYCLE 4 REGIONAL ACTIVE TRANSPORTATION PROGRAM

WHEREAS, the Legislature and Governor of the State of California have provided funds for the Active Transportation Program (ATP) under Senate Bill 99, Chapter 359, and Assembly Bill 101, Chapter 354; and

WHEREAS, the California Transportation Commission (CTC) has statutory authority for the administration of the ATP and established necessary procedures; and

WHEREAS, the CTC has required in its ATP Guidelines that Metropolitan Planning Organizations (MPOs) coordinate the competitive selection process to select projects to receive a portion of the ATP funding; and

WHEREAS, the San Diego Association of Governments (SANDAG), as the MPO for the San Diego region, is conducting a competitive selection process for the Cycle 4 distribution of ATP funds in the San Diego region; and

WHEREAS, SANDAG is required to submit the proposed ranked list of Regional ATP projects and funding recommendations to the CTC for final consideration; and

WHEREAS, SANDAG may offer a funding exchange with projects recommended through the Regional ATP competitive selection process which would reduce the administrative burden to local jurisdictions associated with federal funding requirements; and

WHEREAS, if a funding exchange is offered to City of Lemon Grove, the Connect Main Street Phase 3-6 Project (Project) would be removed from the regional ATP ranking and funded through the *TransNet* Active Transportation Grant Program (ATGP); and

WHEREAS, the SANDAG Regional ATP competitive selection process requires applicants to submit a resolution from their governing body to be considered for *TransNet* funding in the event a funding exchange is offered; and

WHEREAS, City of Lemon Grove has submitted an application to receive ATP funds for the Project; and

NOW, THEREFORE, BE IT RESOLVED that if SANDAG offers a funding exchange to the City of Lemon Grove for the Project, City of Lemon Grove commits to providing \$66,000 in matching funds from sources other than the *TransNet* ATGP; and

BE IT FURTHER RESOLVED that City of Lemon Grove authorizes staff to accept the *TransNet* ATGP funds and execute a grant agreement with SANDAG.

*PASSED AND ADOPTED* on \_\_\_\_\_, 2019, the City Council of the City of Lemon Grove, California, adopted Resolution No. \_\_\_\_\_, passed by the following vote:

*AYES:*

*NOES:*

*ABSENT:*

*ABSTAIN:*

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*Racquel Vasquez, Mayor*

*Attest:*

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*Shelley Chapel, MMC, City Clerk*

*Approved as to Form:*

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*Kristen Steinke, City Attorney*



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

Item No. 2

Meeting Date: January 15, 2019

Submitted to: Honorable Mayor and Members of the City Council

Department: **City Manager's** Office

Staff Contact: Claudia Tedford, Consultant, CityPlace Planning, Inc.

Item Title: Introduction of Ordinance, adding Chapter 17.20.050 to the Lemon Grove Municipal Code establishing Emergency Shelter Overlay Zone, and amending Chapter 17.16.070 to reference new emergency shelter overlay zone, and approve a zone change to amend Zoning Map to include specific parcels in the General Commercial Zone; Zoning Amendment ZA 1-800-0003

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Recommended Action: Take public input, close the Public Hearing and Introduce Ordinance approving Zoning Amendment ZA1-800-0003, adding Chapter 17.20.050 to the Lemon Grove Municipal Code establishing an emergency shelter overlay zone for the South Broadway site; amending Chapter 17.16.070 to reference the new emergency shelter overlay zone in the General Commercial (GC) zone; and approve a zone change to amend the Lemon Grove Zoning Map to include specific GC zoned parcels within the new emergency shelter overlay zone. Instruct staff to schedule second reading of ordinance and adoption for future meeting.

### Summary:

State law requires every city in California to designate a zone where an emergency homeless shelter can be located by-right. Lemon Grove must complete this task by March 1, 2019 or face penalties imposed by the state including potential loss of grant funding.

In May of 2018, the City Council assigned the Citizen Advisory Commission (CAC) to study the issue and recommend an appropriate location in the City to zone for a homeless shelter. Since August 21, 2018, the CAC met five times to review six proposed sites, understand the legality of the topic, solicit public feedback and consider the effects on the community and surrounding areas. Two sites were dismissed; one due to inadequate size and the other due to unavailability. At the final meeting on November 13, 2018, the CAC came to consensus on a ranking of the four remaining sites, and recommended the South Broadway site as the preferred location to zone for an emergency homeless shelter.

On November 26, the Planning Commission reviewed the four sites and the Citizen Advisory Commission's efforts, and eliminated an additional site (GC-HC) from consideration due to **conflicts with the City's long-term** goals of attracting regional commercial uses for that area. As a result, Planning Commission voted unanimously to forward three sites to City Council for their consideration, including the South Broadway site, East Broadway site, and Light Industrial site.

This staff report provides background information, analysis of the three sites, rationale for recommending the South Broadway site, and an overview of the proposed amendments to Chapter 17.16.070, new Chapter 17.20.050, and proposed zone change to amend the Lemon Grove Zoning Map to create a new emergency shelter overlay zone and include specific GC zoned parcels within the overlay zone.

Discussion:

*Legislative Framework:* State Senate Bill (SB) 2 (2008) requires Lemon Grove and every other city in California, adopt a zone permitting an emergency homeless shelter within one year of adopting a General Plan Housing Element. SB 2 requires all cities and counties to designate at least one zone where emergency shelters are allowed by-right; that is, as permitted uses without requiring approval of a Conditional Use Permit or other discretionary permit<sup>1</sup>. It does not require cities and counties to actually construct, fund, or provide an emergency shelter.

Further, SB 2 requires all cities and counties in the state to comply with the following:

- Calculate the unmet need for shelter in the jurisdiction;
- Demonstrate that the by-right zone or zones have the capacity to address the unmet shelter need and can accommodate at least one year-round emergency shelter;
- Permit processing, development, and management standards must be objective, and encourage and facilitate the development of, or conversion to, emergency shelters; and
- Emergency shelters may only be subject to those development and management standards that apply to residential or commercial development within the same zone, except that a local government may also apply written, objective standards as specified in Government Code section 65583, subd. (a) (4) (A).

*Background:* Lemon Grove adopted the current General Plan Housing Element in August 2012, however the implementation action of zoning for an emergency shelter was not completed. In August 2018, the State Department of Housing and Community Development (HCD) notified Lemon Grove that it was not compliant with State Housing Law because it does **not provide for emergency homeless shelters, as specified in Program 15, Item H of the City's Housing Element.**

As a result, City staff developed a monthly schedule, discussed below, with specific milestones to complete the process of zoning for an emergency shelter with a deadline of March 1, 2019 for compliance. HCD agreed to the schedule with the understanding that should progress not be achieved per the schedule, HCD may issue a **30-day notice to revoke the City's Housing Element** and impose further penalties.

***Citizen's Advisory Commission:*** The Citizen's Advisory Commission (CAC), whose role is to serve as a resident-led Advisory Commission for the City, was assigned the task of

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<sup>1</sup> California Department of Housing and Community Development. (2008). Senate Bill 2 -- Legislation Effective January 1, 2008: Local Planning and Approval for Emergency Shelters and Transitional and Supportive Housing. Available from: <http://www.hcd.ca.gov/housing-policy->

recommending an appropriate location to zone for a homeless shelter, using **the City's Housing Element** as a starting point. The CAC was established by the City Council in 2015, with three permanent members serving in leadership positions for the Commission. The three permanent members are:

Yajaira Preciado, Chair  
Angeles Nelson, Vice Chair  
Tom Clabby, Commissioner.

Additional members include:

Walt Oliwa  
Luis Rodriguez  
Anna Kimber  
Carol Weiss  
Glen Thornton

The CAC followed the monthly schedule agreed upon between the City and HCD, and met a total of five times. As part of an early Visioning Exercise, the CAC developed a list of positive attributes desired when locating a homeless shelter in Lemon Grove, and a list of negative aspects to avoid.

Positive attributes desired include:

- Providing additional social services, such as mental health services, welfare, job assistance, recovery and VA programs
- Close proximity to public transit
- Close access to grocery stores and medical services
- Access to probation and social services
- Multiple shelter sites desired, with one for families
- Enough/plentiful space
- Well-lit area
- Visually appealing and welcoming
- Well-lit and safe parking
- Parking area for overnight stays
- Large lot size
- Business center with job resources nearby
- Open space for recreation
- Walkable location with sidewalks
- Far from schools with resources for transportation to schools
- Comfortable waiting/intake areas
- Wi-Fi and charging stations
- Green space and landscaping
- P.O. box access
- Library access
- Proximity to jobs
- Separate restroom facilities for families
- Language and translation services

Negative aspects to avoid include:

- Drug use
- Locate away from sensitive uses (e.g. bars, marijuana dispensaries, liquor stores)
- Locate away from residential areas
- Locate away from schools
- Avoid restrictive lots that are too narrow or small
- Avoid an institutional or industrial aesthetic
- Locate away from Heavy Commercial uses
- Locate away from traffic/congested areas

Six separate sites were considered by the CAC and analyzed as potential locations to zone for an emergency shelter, discussed in more detail below. Five were listed in the 2012 General Plan Housing Element, Program 15, as potential sites to zone for an emergency shelter as follows:

- North Avenue site
- County Facility site
- East Broadway site
- Light Industrial site
- General Commercial/Heavy Commercial

A sixth site, the South Broadway site, was added during the CAC site evaluation process. In addition, CAC members suggested two additional sites: vacant property near the McAllister Institute off Skyline Drive, and the Grove Executive Building on Broadway. The site near the McAllister property was dismissed because it is too near existing residences, and of unknown availability; and the Grove Executive Building was eliminated from further consideration because it is a single site and concerns about spot zoning.

The CAC thoughtfully and thoroughly considered the State requirements for homeless shelters, anticipated effects on both the community and surrounding areas, and impacts on future residents of an emergency shelter. A Community Workshop was held on October 30, 2018 to both inform the community of the State-imposed requirement to zone for an emergency **shelter, and to listen to the public's issues, concerns and suggestions. A workshop summary is** found in Attachment B.

Two sites were removed from consideration during the CAC site analysis process. The North Avenue site was dismissed by staff, with concurrence by the CAC, due to the restrictive size of the zone at 1.77 acres. The County Facility was also removed from consideration by staff with agreement from the CAC because it is used by the County and not available for an emergency shelter, and additional concerns about spot zoning.

At their final meeting, the CAC performed a ranking exercise, and forwarded the following ranked sites to the Planning Commission as their recommendation:

1. South Broadway site (preferred location)
2. General Commercial/Heavy Commercial (GC/HC)
3. East Broadway
4. Light Industrial

CAC meetings and activities are summarized below:

- August 21, 2018: First CAC introductory meeting held,
- September 11, 2018: CAC meeting #2, visioning exercise,
- October 9, 2018: CAC meeting #3, concluded with informal ranking of sites,
- October 30, 2018: CAC meeting #4 and public workshop to review six areas for emergency shelter zoning, with two sites removed from further consideration, and
- November 13, 2018: CAC meeting #5, ranked four sites, selected the South Broadway sites as the preferred site for an emergency shelter.

*Planning Commission recommendation:* On November 26, the Planning Commission reviewed the work of the CAC, considered the recommendation put forward by the CAC, and studied each of the four sites in detail. The General/Heavy Commercial site was removed from **consideration by the Planning Commission because of the City's long-term** economic development plan for regional commercial uses in that location. Because the Planning Commission preferred to give the City Council more than a single site to consider, three sites were put forward for City Council consideration: East Broadway site, Light Industrial site, and South Broadway site. No ranking was provided.

*Analysis of the three remaining sites:* The three sites analyzed by the CAC and Planning Commission, and forwarded by the Planning Commission for City Council consideration are:

- East Broadway site
- Light Industrial site
- South Broadway site

The following provides a summary of the characteristics of each site, and rationale for staff analysis and recommendation.



*Zoning:* East Broadway is primarily zoned Residential Medium/High, with the exception of a public storage facility and a lot zoned commercial under the 125 and 94 freeway ramps.

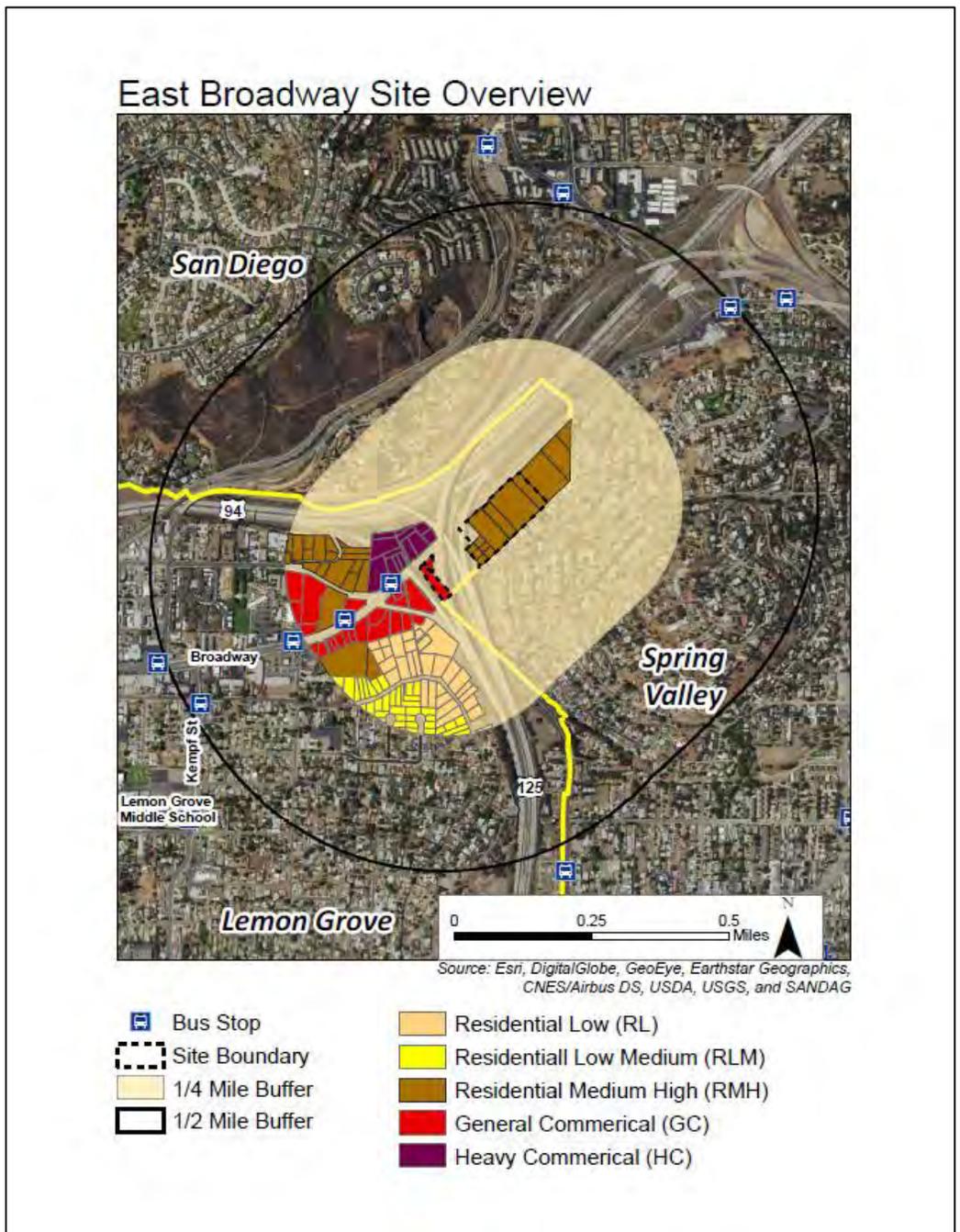
*Size:* The East Broadway site is 8.35 acres.

*Allowed Uses:* The residential medium high zone is intended for more compact multi-family housing. Allowable uses include housing and park facilities.

*Distance to Public Transit:* The East Broadway Site is located 0.2 miles from the Broadway & Sweetwater bus stop.

*Distance from residences/schools:* The East Broadway site is located 2.1 miles from Vernon Elementary School, 1.4 miles from Lemon Grove Middle School, and is zoned residential.

*Staff analysis of East Broadway site:* This site is located in close proximity to the 94 and 125 interchange, which poses traffic safety and noise impacts. The nearest public transit location is approximately .2 miles from the site, and sidewalks and bike lanes are not consistent. The site is currently occupied by the Lemon Grove Care and Rehabilitation Center, existing residential development, and the City is currently processing a development application for 70 units of multi-family residential on a 2.88-acre portion of the site. The parcel under the freeway ramps is owned by Caltrans and is unavailable, leaving very little remaining capacity for an emergency shelter. In addition, there is a strip club located in close proximity to this site. For these reasons, staff does not support the East Broadway site.





*Zoning:* Light Industrial (LI)

*Size:* The LI site is 24.97 acres.

*Allowed Uses:* The light industrial zone is available to light manufacturing, warehousing, distribution, or other related limited intensity activities.

*Distance to Public Transit:*<sup>2</sup> The site is 0.5 miles from the Federal Blvd & College bus stop.

*Distance from residences/schools:* The site is located 0.8 Miles from San Miguel Elementary School.

*Staff analysis of Light Industrial site:* This site is not well-suited to pedestrians or bicyclists. Sidewalks are sparse and in disrepair, and there are no bike lanes.

## Light Industrial Site Overview



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, and SANDAG



Public transit access is limited and not within walking distance. The area is not in close proximity to grocery stores or medical services. It has poor drainage and flooding issues, and the lack of lighting results in a dark, uninviting environment during nighttime hours. A medical marijuana dispensary applicant has obtained a Conditional Use Permit for operations at 6470 Federal Blvd. For these reasons, staff does not support the Light Industrial site.

<sup>2</sup> Used the Intersection of Federal and Central as proxy address.



*Zoning:* The portion of south Broadway, included in the bolded border with the black crosshatch fill, is zoned General Commercial.

*Allowed Uses:* The General Commercial (GC) zone is available to auto-oriented, generally large-scale businesses and activities offering retail goods and services meant to serve the needs of the local and regional shoppers.

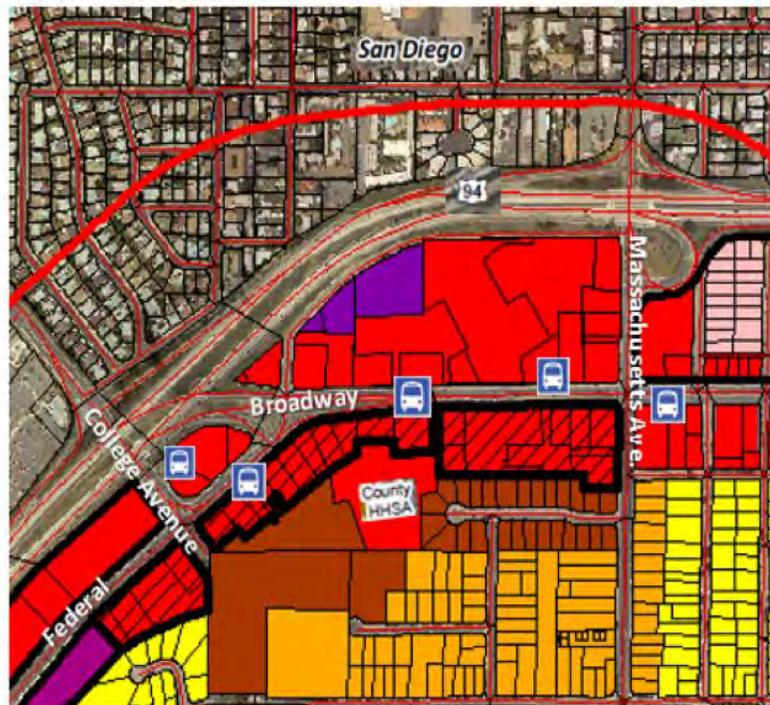
*Distance to Public Transit:* The South Broadway Site is located in walking distance to 5 bus stops. From the center of the site, it is .04 miles from the Broadway bus stop in

front of Golden State Gasoline, .17 miles to the bus stop in front of O'Reilly Auto Parts, .25 miles to the bus stop at College Avenue and Federal, .26 miles to the bus stops at College and Massachusetts.

*Distance from residences/schools:* The South Broadway side is located .59 miles from San Miguel Elementary School, as the crow flies. When travelling on major streets, the school is 1 mile away from the center of the proposed zone. The proposed zone abuts Residential Medium/High and Residential Low/Medium zoning areas with topographical boundaries in between the proposed zone and residential areas.

*Staff analysis of South Broadway site:* This site is in a central location along South Broadway. It is walkable and within ¼ mile of five bus stops. A bike lane is located along the westbound lanes of South Broadway, and the area is well-lit. The site is separated from adjacent residential uses by a hillside, and the location is not disruptive to surrounding uses. The area is in close proximity to grocery stores, and a medical clinic is nearby. A medical marijuana dispensary applicant has obtained a Conditional Use Permit for operations at 6859 Federal Blvd, which is the parcel at the far westernmost portion of the site, but since it is the same owner as the medical marijuana dispensary in the Light Industrial area, it is unknown if the owner will operate on both sites. Two properties are currently available within this area, so there is currently capacity for a shelter.

South Broadway Alternative (GC)





For these reasons, both the Community Advisory Commission and staff support the South Broadway site.

*Emergency Shelter Overlay Zone:* **In order to implement the State's** requirements, staff recommends creating an Emergency Shelter Overlay Zone on the South Broadway site, which is zoned for General Commercial. This allows the City to identify a specific area for the location of an emergency shelter.

An Emergency Shelter Overlay Zone is created to permit a developer to locate a shelter at any location within the boundaries of the overlay zone. The overlay zone identifies the specific parcels where an emergency shelter will be permitted, along with a map to depict the overlay zone boundaries. Specific development standards relating to a homeless shelter are included for the overlay zone, as allowed by State law. Staff notes that development standards already established for the General Commercial zone apply to an emergency shelter, and additional development standards cannot be more strict than what is currently established in that zone.

The development standards pertaining specifically to emergency shelters included in the ordinance are as follows:

An emergency shelter in the overlay area must comply with the following:

- a) Each emergency shelter shall be located within an entirely enclosed, permanent structure.
- b) Each emergency shelter may have a maximum of sixty (60) beds to serve a maximum of sixty (60) clients.
- c) The maximum length of stay at any one (1) time for any person shall be six (6) months in any twelve (12) month period.
- d) One parking space for each employee, volunteer, service provider, and non-client who will be on-site during peak periods plus one space per three (3) beds.
- e) There shall be no camping/sleeping in vehicles permitted on the site of the shelter.
- f) An emergency shelter shall be located at least three hundred (300) feet from another emergency shelter, as measured from property boundaries.
- g) Each emergency shelter shall provide on-site supervision at all times when the shelter is open.
- h) **Each shelter shall conform to the City's outdoor lighting requirements.**
- i) The emergency shelter operator/provider shall submit a written management plan, to the satisfaction of the city, with the plot plan application for approval. The intent of the management plan is to establish operating procedures that promote compatibility with the surrounding area and businesses. The operator shall agree to maintain the standards in the management plan.

Environmental Review:

Not subject to review

Negative Declaration

Categorical Exemption, Section [       ]

Mitigated Negative Declaration

Fiscal Impact: None.

Public Notification: Notice published in local newspaper, notice to property owners within 500 ft. of the South Broadway site, East Broadway site, and Light Industrial site.

Attachments:

Attachment A – Ordinance No. 451 – Strikeout Version

Attachment B –Community Workshop Summary

**Attachment C - Report provided to Planning Commission November 26, 2018**

ORDINANCE NO. 451

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE, CALIFORNIA, APPROVING ZONING AMENDMENT ZA1-800-0003 TO ADD CHAPTER 17.20.050 TO THE LEMON GROVE ZONING ORDINANCE TO ESTABLISH AN EMERGENCY SHELTER OVERLAY ZONE; AMEND CHAPTER 17.16.070 TO REFERENCE THE NEW EMERGENCY SHELTER OVERLAY ZONE IN THE GENERAL COMMERCIAL (GC) ZONE; AND APPROVE A ZONE CHANGE TO AMEND THE LEMON GROVE ZONING MAP TO INCLUDE SPECIFIC GC ZONED PARCELS WITHIN THE NEW EMERGENCY SHELTER OVERLAY ZONE.

*WHEREAS*, California Senate Bill 2 (SB2) requires cities and counties to identify at least one (1) zone in which emergency shelters are permitted by-right without discretionary approval from local government; and

*WHEREAS*, the Community Advisory Commission held five (5) meetings, including conducting a community workshop, to study and advise the City where to zone for emergency shelters in the City; and

*WHEREAS*, the Community Advisory Commission evaluated six separate sites, eliminated two sites, and by consensus ranked the remaining four sites; and

*WHEREAS*, the preferred location which the Community Advisory Commission found to be the most favorable area to zone for an emergency shelter is the South Broadway General Commercial (GC) site; and

*WHEREAS*, sufficient capacity within the South Broadway GC area has been identified **to meet the needs of the City's homeless population, from the 2018 Point in Time count which** identified 58 homeless residents, as required by state law; and

*WHEREAS*, on November 26, 2018, the Planning Commission held a duly noticed Public Hearing on the proposed amendments to the Zoning Ordinance and Zoning Map; and

*WHEREAS*, the Planning Commission voted unanimously to forward three sites to City Council for their consideration, including the South Broadway site, East Broadway site, and Light Industrial site; and

*WHEREAS*, the Notice of Public Hearing for this item was published in the December 20, 2018 edition of the East County Californian and mailed to all property owners within 500 feet of the three subject sites; and

*WHEREAS*, on January 15, 2019, the City Council held a Public Hearing on the proposed amendments to the Zoning Ordinance and Zoning Map, and selected the South Broadway General Commercial (GC) site to be zoned for an emergency shelter; and

*WHEREAS*, the City has found the project to be statutorily exempt from the environmental review requirements of the California Environmental Quality Act Guidelines (Section 15268, Ministerial Projects); and

*WHEREAS*, the City Council finds that the following findings required to approve a Zoning Amendment can be made in accordance with Section 17.28.080(B) of the Municipal Code:

1. That the proposed amendment is consistent with the General Plan, in accordance with Government Code Section 65860, as amended.
  - This action **implements Program 15 of the City's General Plan Housing Element by amending the City's Zoning Ordinance to explicitly address emergency homeless shelters.**
2. That the public health, safety, and general welfare benefit from the adoption of the proposed amendment.
  - The 2018 San Diego Point in Time Count identified 58 homeless persons in Lemon Grove; and
  - Providing a zone where homeless persons can be sheltered by-right provides a location **for a developer to operate a shelter with capacity to house Lemon Grove's** homeless population.

*NOW, THEREFORE, BE IT RESOLVED* that the City Council of the City of Lemon Grove, California, does ordain as follows:

Section 1. Section 17.16.070 [General Commercial Zone] of the City of Lemon Grove Zoning Ordinance is hereby amended as follows:

17.16.070 General commercial (GC) zone.

A. Purpose. The general commercial (GC) zone is available to auto-oriented, generally large-scale businesses and activities offering retail goods and services meant to serve the needs of local and regional shoppers. These regulations establish development standards and conditions through which uses may be located in this zone. All uses shall be subject to the applicable regulations of this title.

B. Permitted Uses. Uses that are consistent with the following categories, as determined by the development services director, are permitted by right, as verified by zoning clearance:

1. Animal Sales and Services—Pet Supplies. Uses that provide sales of pet supplies including feed and grain. Facilities and operations shall comply with all standards set forth in this title.

2. Animal Sales and Services—Grooming. Uses that provide animal grooming, with or without the sale of supplies, for household pets and small farm animals as defined in LGMC Chapter 18.16. Facilities and operations shall comply with all standards set forth in this title.

3. Brewpubs and wine bars as defined by Chapter 18.27.

4. Business and Professional. Uses related to the practice of a vocation requiring specialized training or education that can be performed in an office setting.

5. Business Support. Uses that provide printing, copying, photographic, computer, or technological services.

6. Educational and Training Facilities. Uses that provide classroom-style instruction for occupancies less than fifty persons as determined by the building official.

7. Emergency Homeless Shelter Overlay Zone (EHSOZ). Uses that provide temporary shelter for homeless individuals and/or families within the EHSOZ as provided for in Section 17.20.050 (Ord.xxx, 2019).

~~7~~8. Financial Institutions. Uses related to the exchange, lending, borrowing, and safe-keeping of money.

~~8~~9. Food and Beverage Establishments with Drive-Through. Uses that prepare, provide, or serve food or beverages for consumption on or off the premises that may include drive-through service. Alcoholic beverage sales shall be subject to LGMC Chapter 18.27.

~~9~~10. Funeral and Mortuary Services—No Assembly Space. Uses that provide services related to the death of a human (without crematoria). This use does not include assembly space.

~~10~~11. Government. Uses related to local, state, or federal government agencies in an office setting.

~~11~~12. Light Manufacturing. Uses that process, fabricate, assemble, treat, or package finished parts or products, of a limited intensity that result in few outside impacts. This use requires a retail component along the entire street frontages.

~~12~~13. Maintenance and Repair of Consumer Goods. Uses that provide maintenance, cleaning, and repair services for consumer goods. This use does not include vehicle repair uses.

~~13~~14. Medical, Dental, Clinics and Health Practitioners. Uses related to diagnosis and treatment of human illness and physical malfunction, including medical and dental laboratories that can be performed in an office setting.

~~14~~15. Parking. Uses that provide surface or structure parking for passenger vehicles. Parking areas may be public or privately-owned and managed.

~~15~~16. Personal Services. Uses that provide a variety of services associated with personal grooming or adornment, health maintenance, or well-being.

~~16~~17. Recreation—Small. Uses or facilities associated with indoor or outdoor, active or passive recreation for indoor occupancies less than fifty persons as determined by the building official and outdoor occupancies less than fifty persons as determined by the community development director.

~~17~~18. Retail. Uses that provide new consumer goods, large and small, functional and decorative, for use, entertainment, comfort, or aesthetics; goods for personal grooming or day-to-day maintenance of personal health and well-being. This use includes, but is not limited to, furniture, appliances, sundries, pharmaceuticals, wearing apparel and accessories, small equipment sales and rentals. This use does not include vehicle uses.

~~18~~19. Retail—Antiques. Uses that provide antique goods, large and small, functional and decorative, for use, entertainment, comfort, or aesthetics.

~~19~~20. Vehicle Equipment and Supplies Without Installation. Uses related to the sale of new or used parts, tools or supplies for repairing or maintaining vehicles. This use does not include on-site installation.

Section 2. New Chapter 17.20.050 of the City of Lemon Grove is hereby added as follows:

17.20.050 Emergency Homeless Shelter Overlay Zone (EHSOZ)

- A. Purpose. This section is intended to designate an area within the General Commercial (GC) zone where an emergency homeless shelter necessary to meet the needs of the City's homeless population can be located by-right in the City, without a conditional use permit or any other discretionary permit, as required by State law.
- B. General Provisions.
1. The Emergency Shelter Overlay Zone is identified on the Zoning Map of the City. All emergency shelters shall be located within the physical boundaries of this overlay zone.
  2. Emergency shelters shall be subject to those development and management standards that apply to residential or commercial development within the GC zone.
  - 1.3. In addition, all emergency shelters shall comply with the written, objective standards as specified in Government Code section 65583, subd. (a) (4) (A), as specified in subsection C of this section.
- C. Development Standards Specific to an Emergency Homeless Shelter located within Overlay Zone.
1. Each emergency shelter shall be located within an entirely enclosed, permanent structure.
  2. Each emergency shelter may have a maximum of sixty (60) beds to serve a maximum of sixty (60) clients.
  3. The maximum length of stay at any one (1) time for any person shall be six (6) months in any twelve (12) month period.
  4. One parking space shall be provided for each employee, volunteer, service provider, and non-client who will be on-site during peak periods plus one space per three (3) beds.
  5. There shall be no camping/sleeping in vehicles permitted on the site of the shelter.
  6. An emergency shelter shall be located at least three hundred (300) feet from another emergency shelter, as measured from property boundaries.
  7. Each emergency shelter shall provide on-site supervision at all times when the shelter is open.
  8. Each shelter shall conform to the City's outdoor lighting requirements.
  9. The emergency shelter operator/provider shall submit a written management plan, to the satisfaction of the City, with the plot plan application for approval. The intent of the management plan is to establish operating procedures that promote compatibility with the surrounding area and businesses. The operator shall agree to maintain the standards in the management plan.

Section 3. The following parcels are hereby rezoned with the Emergency Homeless Shelter Overlay Zone:

APN's: 478-143-15-00, 478-143-14-00, 478-143-18-00, 478-143-12-00, 479-062-15-00, 479-062-32-00, 479-062-30-00, 479-062-26-00, 479-062-18-00, 479-062-19-00, 479-062-20-00, 479-062-21-00, 479-062-22-00, 479-070-19-00, 479-070-29-00, 479-070-08-00, 479-070-17-00, 479-070-30-00, 479-070-27-00, 479-070-14-00, 479-070-33-00

Section 4. The attached **City of Lemon Grove Zoning “inset map” [Exhibit A]** provides a graphical representation of the parcels that will be designated with the Emergency Homeless Shelter Overlay Zone.

Section 5. The foregoing recitals are true and correct.

Section 6. This Ordinance shall be effective thirty (30) days following its adoption. Within fifteen (15) days following its adoption, the City Clerk shall publish the title thereof, as a summary as required by state law.

*INTRODUCED* by the City Council on January 15, 2019.

*PASSED AND ADOPTED* by the City Council of the City of Lemon Grove, State of California, on \_\_\_\_\_, 2019 by the following vote:

*AYES:*

*NOES:*

*ABSENT:*

*ABSTAIN:*

---

**Racquel Vasquez, Mayor**

*Attest:*

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*Shelley Chapel, MMC, City Clerk*

*Approved as to Form:*

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*Kristen Steinke, City Attorney*



## Community Workshop Summary

On October 30, 2018 the Citizens Advisory Commission (CAC) hosted a community workshop. **The workshop was advertised on the City's social media platforms of Facebook, Instagram and Twitter, posted on the City's website home page and events calendar, and a news release was distributed electronically to interested stakeholders and media.** A total of 19 individuals attended the workshop which was facilitated by Ms. Tedford with CityPlace Planning as a listening session. Prior to beginning the listening session, for the benefit of the community members present, staff outlined the project background; clearly defined what an emergency **homeless shelter is; explained the state's requirement for Lemon Grove to adopt a zone** permitting one; and explained that a site is not being constructed or paid for by the City, but rather that the process is to identify a zone for a developer to build one by-right. An overview of the five proposed sites was provided, and staff introduced a new alternative site on south Broadway, east of Massachusetts, which was seen for the first time by the CAC members and community at this meeting. The alternative was introduced because staff had concerns regarding the feasibility of two of the sites: North Avenue, due to insufficient size, and the County Facility, because the site is currently leased by the County and there may be concerns with spot zoning. During and after the presentation, staff answered questions from the workshop attendees. Collaborative dialogue between the CAC members and workshop attendees also occurred. Following the presentation, the listening session began. A summary of the community feedback received is outlined below.

### General Comments:

- Some residents expressed concern that having a homeless shelter in Lemon Grove may attract more homeless persons to Lemon Grove.
- Is just one site to be chosen?

### *East Broadway*

- Concern for potential flooding and/or development restrictions due to portions of land owned by Caltrans
- Proximity to neighboring jurisdictions of La Mesa, Spring Valley and San Diego which could cause concerns for noticing

### *North Avenue*

- Concerns with feasibility were raised due to the restrictive size of the zone, 1.77 acres.

### *General Commercial/Heavy Commercial*

- The size of the area and large amount of available parcels was discussed as favorable
- Central location in the middle of town
- Zone is part of a Special Treatment Area for Regional Commercial and is the location for a long-term plan for economic development in the City
- Inhibits long-term growth and tax generating uses
- Could be a development deterrent
- Large enough zone with the ability to accommodate additional social services and development activity

### *County Facility*

- Discussed feasibility concerns due to the current County HHSA use and lease, and concern about potential spot zoning.

### *Light Industrial*

- Concerns with school proximity being too far for shelter patrons with children
- Concerns with sidewalks and lighting not being sufficient
- Large size to accommodate a shelter and/or secondary facility
- Seems the least disruptive option
- Still has close proximity to school and services
- Concerns with limited public transportation
- Concerns with proximity to medical marijuana dispensaries on Federal

### *South Broadway:*

- Not in a disruptive location
- Close proximity to Broadway corridor
- Close proximity to the County facility and beneficial to be very near the Health and Human Services Agency
- Walkable to transportation
- Adequate sidewalks and lighting; schools
- Request to add 4 parcels that are directly to the west of College Avenue

Following the listening session, a clear general consensus was established with the workshop attendees and CAC members. The preferred site was the South Broadway alternative over all the other sites, with no stated opposition. Clear consensus was also expressed that the North Avenue site and the County Facility are no longer considered feasible options for inclusion in the shelter overlay zone due to inadequate size and unfeasibility, respectively.

**LEMON GROVE PLANNING COMMISSION  
AGENDA ITEM SUMMARY**

**Item No.**   3    
**Mtg. Date**  November 26, 2018   
**Dept.**  City Manager's Office 

**Item Title:**  Emergency Homeless Shelter Proposed Location – ZA1-800-0003, Zoning Amendment 

**Staff Contact:**  Claudia Tedford, CityPlace Planning, Inc., Planning Consultant 

**Recommendation:**

1.  Conduct the public hearing;
2.  Introduce the State requirement that an Emergency Shelter Overlay Zone be identified in the City of Lemon Grove, review proposed sites and select the required location.

**Item Summary:**

 State law requires every city in California to designate a zone where an emergency homeless shelter can be located by-right. Lemon Grove must complete this task by March 1, 2019 or face penalties imposed by the state including potential loss of grant funding. The City Council assigned the Citizen Advisory Commission (CAC) to study the issue and recommend an appropriate location in the City to zone for a homeless shelter. Since then, the CAC has met five times to review five proposed sites and one additional alternative, understand the legality of the topic, solicit public feedback and consider the effects on the community and surrounding areas. Two sites were dismissed; one due to inadequate size and the other due to unavailability. At the final meeting on November 13, 2018, the CAC came to a consensus on a ranking of the four remaining sites. The staff report (**Attachment A**) provides an overview of the CAC's review process and the ranking of the sites for Planning Commission's review. 

**Fiscal Impact:**

None.

**Environmental Review:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Not subject to review | <input type="checkbox"/> Negative Declaration           |
| <input type="checkbox"/> Categorical Exemption            | <input type="checkbox"/> Mitigated Negative Declaration |

**Public Information:**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> None                     | <input type="checkbox"/> Newsletter article                       | <input type="checkbox"/> Tribal Government Consultation Request |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Notice to property owners within 500 ft. |   |

**Attachments:**

- A.  Staff Report
- B.  Resolution to Recommend Approval by City Council



# Attachment A

## LEMON GROVE PLANNING COMMISSION STAFF REPORT

Item No.   3  

Mtg. Date: November 26, 2018

Item Title: [Emergency Homeless Shelter Proposed Location - ZA1-800-0003 Zoning Amendment ]

Staff Contact: [Claudia Tedford, CityPlace Planning, Planning Consultant

### Background:

State Senate Bill (SB) 2 (2008) requires Lemon Grove and every other city in California, adopt a zone permitting a homeless shelter within one year of adopting a General Plan Housing Element. Lemon Grove adopted the current General Plan Housing Element in August 2012.

On September 15, 2015, the City Council adopted Ordinance 431 to establish the Community Advisory Commission (CAC). The CAC's role is to serve as a resident-led advisory Commission with three permanent members serving in the leadership positions for the Committee (i.e. Chair and Vice Chair of the overall committee or focus group and chairs of any sub-groups formed). On May 15, 2018, the City Council unanimously agreed that the CAC review the City's Housing Element to determine appropriate zoning for a homeless shelter.

In August of 2018, the State Department of Housing and Community Development (HCD) and the City of Lemon Grove agreed to a schedule for Lemon Grove to comply with State Housing law to identify a zone to allow for the location of an emergency homeless shelter in the City, with a deadline of March 1, 2019 for this action to be completed. If not completed by the deadline, the City could face penalties imposed by the state and may include potential loss of grant funding.

### *Legislative Framework*

SB 2 requires all cities and counties to designate at least one zone where emergency shelters are allowed by-right; that is, as permitted uses without requiring approval of a Conditional Use Permit or other discretionary permit<sup>1</sup>. It does not require cities and counties to actually construct, fund, or provide an emergency shelter.

In compliance with SB 2, the Lemon Grove Municipal Code must be amended to allow emergency shelters as a permitted use, by-right, for parcels in a select area in the City. This may be accomplished by creating an Overlay Zone and adjusting the permitted uses in the affected area<sup>2</sup>.

SB 2 requires all cities and counties in the state to comply with the following:

- Calculate the unmet need for shelter in the jurisdiction;
- Identify a zone or zones where shelters are allowed without discretionary review;
- Demonstrate that the by-right zone or zones have the capacity to address the unmet shelter need; and

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<sup>1</sup> California Department of Housing and Community Development. (2008). Senate Bill 2 -- Legislation Effective January 1, 2008: Local Planning and Approval for Emergency Shelters and Transitional and Supportive Housing. Available from: <http://www.hcd.ca.gov/housing-policy->

<sup>2</sup> City of Santa Clarita. (2009). Proposed Homeless Shelter Overlay Zone, and UDC Amendments. Available from: [http://www.opr.ca.gov/docs/sop/N-January\\_16-31-2009.pdf](http://www.opr.ca.gov/docs/sop/N-January_16-31-2009.pdf)

City of Escondido. (2015). Article 27. Emergency Shelter Overlay. Available from: <http://www.qcode.us/codes/escondido/>  
City of Lemon Grove. (2012). Housing Element 2010-2020.

- Limit application of development standards for shelters to those that are applied to other development in the same zone, with the exception of objective, written standards allowed in 8 specific categories.

The requirements of Government Code section 65583 subd. (a) (4) (A) must be met, including all of the following:

- The zone shall include sufficient capacity to accommodate the identified need for emergency shelters and can accommodate at least one year-round emergency shelter.
- Permit processing, development, and management standards must be objective, and encourage and facilitate the development of, or conversion to, an emergency shelter.
- Emergency shelters may only be subject to those development and management standards that apply to residential or commercial development within the same zone except that a local government may apply written, objective standards as specified in Government Code section 65583, subd. (a) (4) (A).

*HCD Schedule and Compliance to Date:*

In August, City staff provided information to the Department of Housing and Community Development Division of Housing Policy Development (HCD) describing an anticipated schedule for program implementation. CAC activities were scheduled by month, and the following schedule reflects the actual meeting dates:

- August 21, 2018: First CAC meeting held.
- September 11, 2018: CAC meeting #2, included visioning exercise.
- October 9, 2018: CAC meeting #3, concluded with informal ranking of sites.
- October 30, 2018: CAC meeting #4 and public workshop to review six areas for emergency shelter zoning, removes two sites from further consideration.
- November 8, 2018: Noticing to property owners within 500 feet of four remaining sites.
- November 13, 2018: CAC meeting #5, ranked sites to provide recommendation to the Planning Commission.
- November 26: Planning Commission meeting; Planning Commission expected to review four selected areas with stakeholders and property owners; Planning Commission to make recommendation to City Council.
- January and February 2019: City Council conducts both first and second readings of ordinance.
- March 1, 2019: City must provide documentation to HCD demonstrating program actions have been fully implemented.

Each milestone has been completed on-time and on-schedule to date. Should progress not be achieved per the above schedule, HCD may issue a 30-day notice to revoke the City's housing element compliance. Since August, City staff has been providing monthly status updates to HCD. In a phone call with HCD on November 5, 2018, HCD staff stated that the City must comply with three key criteria:

- The shelter zone must be in an appropriate area of the City and Heavy Industrial areas were provided as an example of an unacceptable zone,
- The zone for the shelter must be a reasonable size and large enough to accommodate the number of homeless from the most recent Point in Time Count (58 for 2018), and
- The development standards for the shelter must stay within the provisions of the law.

**Discussion:**

## **Attachment A**

The CAC considered a total of six sites. As part of the process of analyzing the sites, two of the sites were dismissed; North Avenue due to inadequate size and the County facility due to unavailability. The South Broadway sites were added to the list of sites for consideration at the Community Workshop held on October 30, 2018. The following provides detailed information for the sites considered by the CAC.

*Sites Considered:*

***North Ave (Not being considered)***

**Zoning:** North Avenue is located just south of the 94 Freeway. It's zoning is mixed General Commercial (GC) and Heavy Commercial (HC)

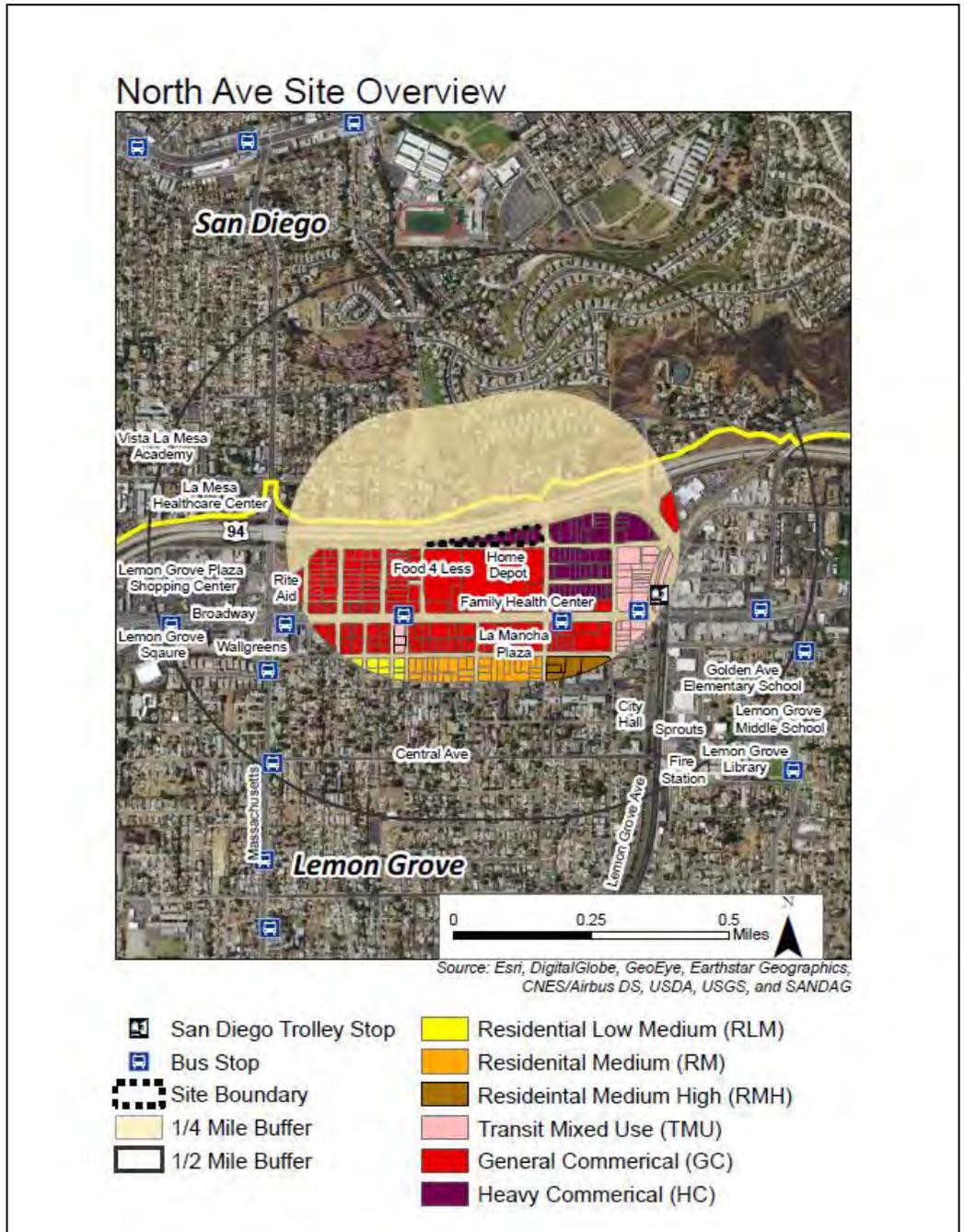
**Size:** The North Avenue proposed site is 1.77 acres.

**Allowed Uses:** The Heavy Commercial (HC) zone is available to more obtrusive types of retail, semi-industrial, and service uses that do not require pedestrian-oriented retail activities.

**Distance to Public Transit:** The North Ave Site is located 0.3 miles from the Broadway & New Jersey bus stop and 0.6 miles from the Lemon Grove Trolley Depot.

**Distance from residences/schools:** The site is located 0.3 miles to residences. One mile to Lemon Grove Middle School. One mile to Golden Avenue Elementary.

**Potential Constraints:** The North Avenue site is in close proximity to the 94 Freeway which presents both noise and air quality impacts.



**County Facility (Not being considered)**

**Zoning:** The County Facility is zoned General Commercial (GC).

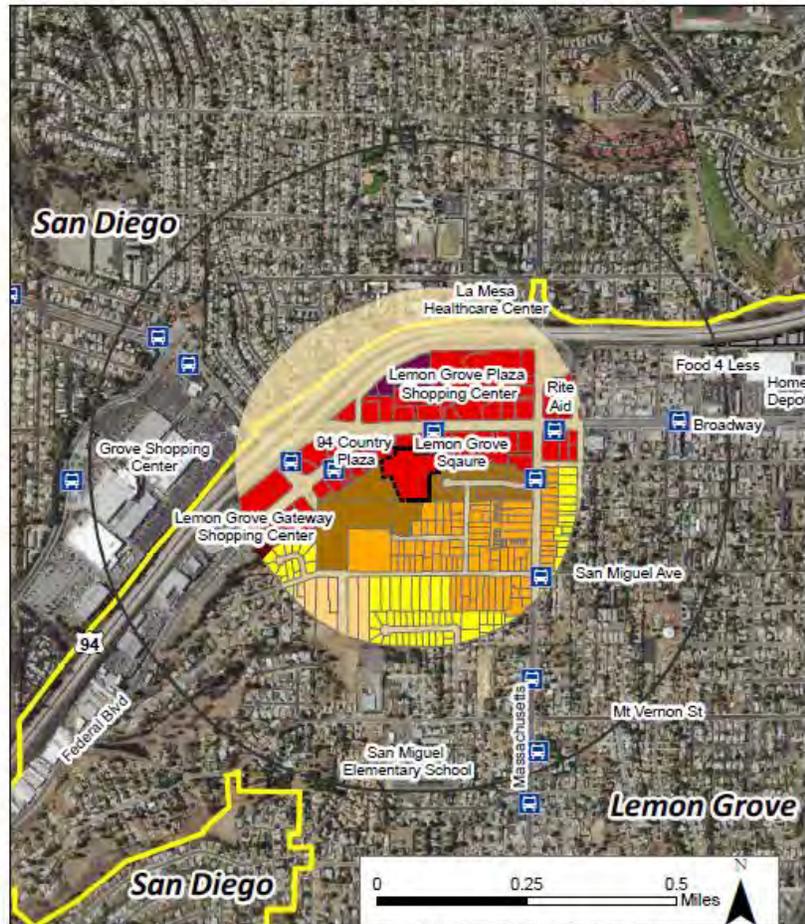
**Size:** The County Facility site is 4.13 acres.

**Allowed Uses:** The General Commercial (GC) zone is available to auto-oriented, generally large-scale businesses and activities offering retail goods and services meant to serve the needs of the local and regional shoppers.

**Distance to Public Transit:** The site is located 0.2 miles from the Broadway & Massachusetts Ave bus stop.

**Distance from residences/schools:** The site is located 1.1 miles from Golden Avenue Elementary School, 1.3 from Lemon Grove Middle School, and from to residential areas.

## County Facility Site Overview



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, and SANDAG

- |                 |                               |
|-----------------|-------------------------------|
| Bus Stop        | Residential Low (RL)          |
| Site Boundary   | Residential Low Medium (RLM)  |
| 1/4 Mile Buffer | Residential Medium (RM)       |
| 1/2 Mile Buffer | Residential Medium High (RMH) |
|                 | General Commercial (GC)       |
|                 | Heavy Commercial (HC)         |

**Potential Constraints:** The site is fully developed and may not have redevelopment opportunities.

**East Broadway (Being considered)**

**Zoning:** East Broadway is primarily zoned Residential Medium/High, with the exception of a public storage facility.

**Size:** The East Broadway proposed site is 8.35 acres.

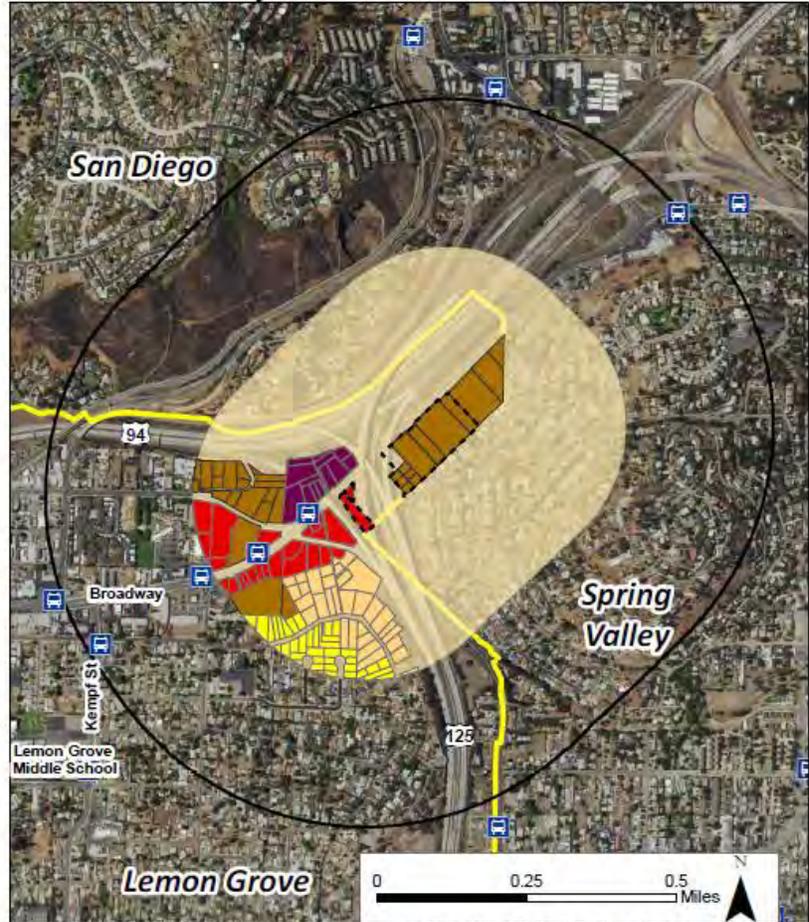
**Allowed Uses:** The residential medium high zone is intended for more compact multi-family housing. Allowable uses include housing and park facilities.

**Distance to Public Transit:** The East Broadway Site is located 0.2 miles from the Broadway & Sweetwater bus stop.

**Distance from residences/schools:** The East Broadway site is located 2.1 miles from Vernon Elementary School, 1.4 miles from Lemon Grove Middle School, and is zoned residential.

**Potential Constraints:** The site is located in close proximity to the 94 and 125 interchange, which poses traffic safety and noise impacts.

### East Broadway Site Overview



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, and SANDAG

- Bus Stop
- Site Boundary
- 1/4 Mile Buffer
- 1/2 Mile Buffer
- Residential Low (RL)
- Residential Low Medium (RLM)
- Residential Medium High (RMH)
- General Commercial (GC)
- Heavy Commercial (HC)

## General/ Heavy Commercial (GC/HC)(Being considered)

**Zoning:** The GC/HC site is zoned mixed General Commercial (GC) and Heavy Commercial (HC). It is also located in STA III, Regional Commercial, which includes special restrictions beyond the zoning guidelines.

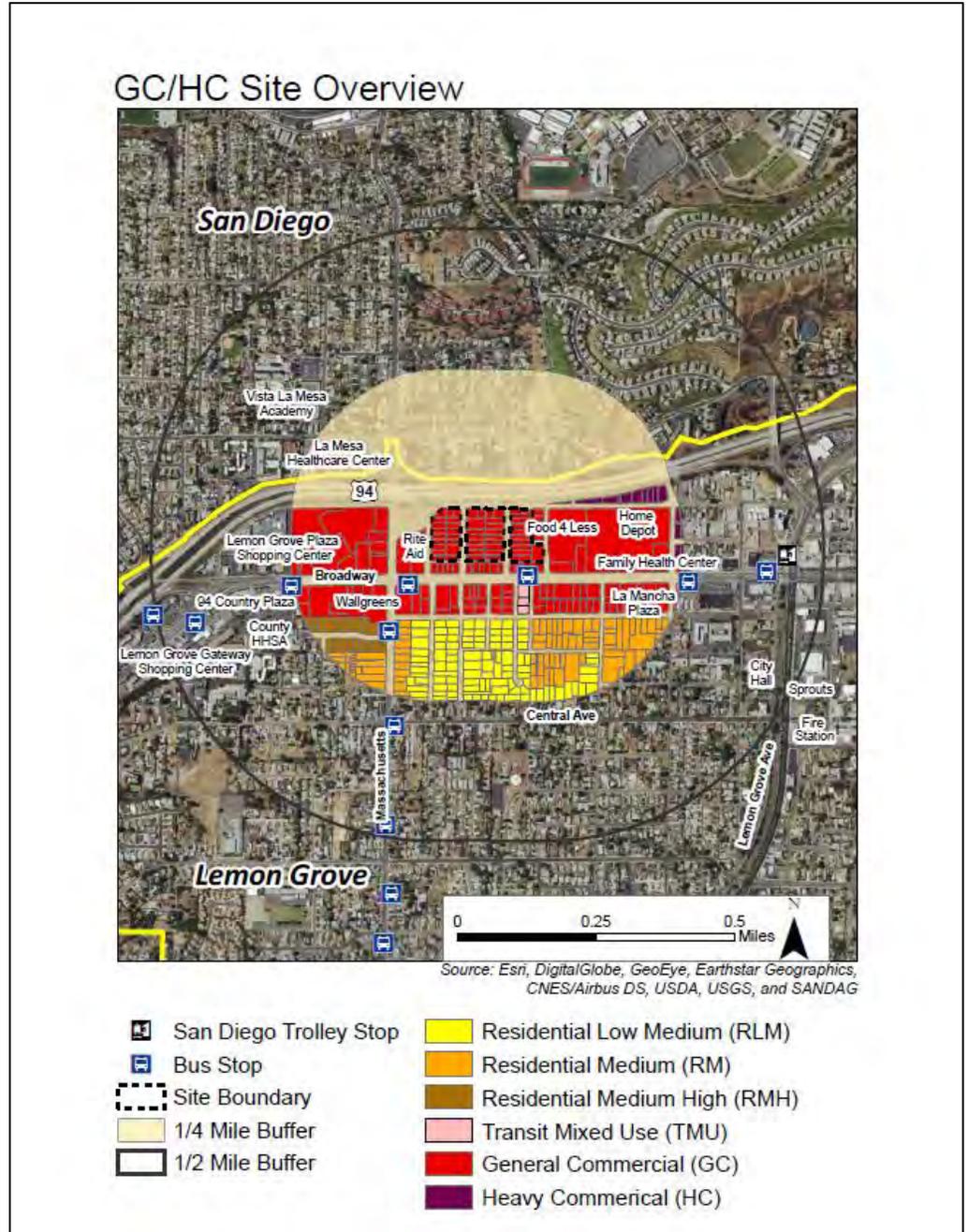
**Size:** The proposed GC/HC zone is 9.63 acres.

**Allowed Uses:** The Heavy Commercial (HC) zone is available to heavier, more obtrusive types of retail, semi-industrial, and service uses. The General Commercial (GC) zone is available to auto-oriented, generally large-scale businesses.

**Distance to Public Transit:** Directly adjacent to the Broadway & Citrus bus stop and 0.7 miles to the Lemon Grove Trolley Depot.

**Distance from residences/schools:** The GC/HC site is 0.9 miles from Golden Avenue Elementary School and 1.1 miles from Lemon Grove Middle School. The site is directly adjacent to non-conforming residences (0.1 miles).

**Potential Constraints:** The site is in close proximity to the 94 Freeway which presents both noise and air quality impacts.



## Light Industrial (LI) (Being considered)

**Zoning:** Light Industrial (LI)

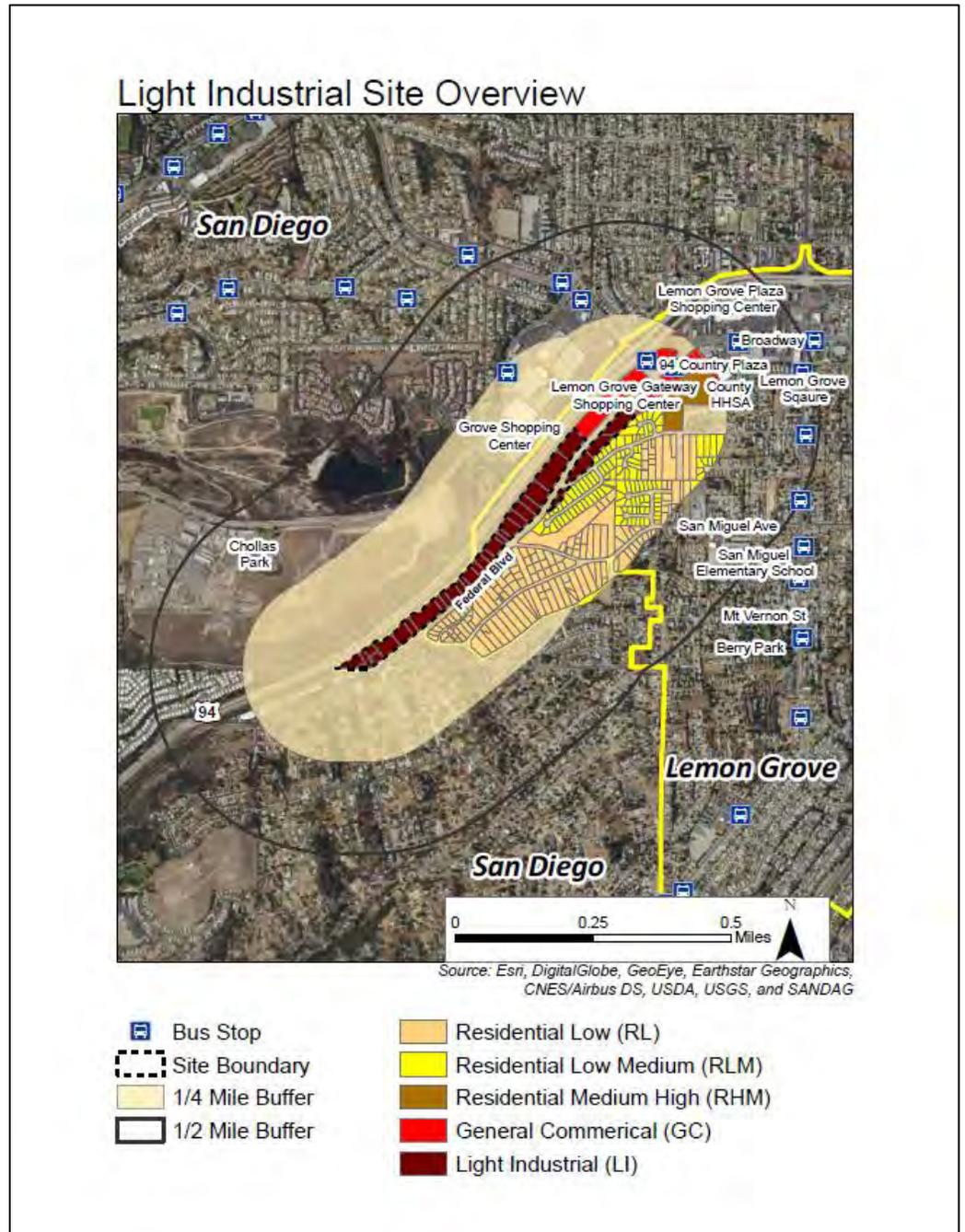
**Size:** The LI site is 24.97 acres.

**Allowed Uses:** The light industrial zone is available to light manufacturing, warehousing, distribution, or other related limited intensity activities.

**Distance to Public Transit:**<sup>3</sup> The site is 0.5 miles from the Federal Blvd & College bus stop.

**Distance from residences/schools:** The site is located 0.8 Miles from San Miguel Elementary School.

**Potential Constraints:** There is limited walkability and bikeability on this site. The area has poor drainage issues, and has sparse sidewalk conditions along the 94 freeway. A medical marijuana dispensary applicant has obtained a Conditional Use Permit for operations at 6470 Federal Blvd.



<sup>3</sup> Used the Intersection of Federal and Central as proxy address.

# Attachment A

## **Alternative Site: South Broadway (GC)(Being considered)**

**Zoning:** The portion of south Broadway, included in the bolded border with the black crosshatch fill, is zoned General Commercial.

**Size:** The South Broadway Alternative proposed site is 13.48 acres.

**Allowed Uses:** The General Commercial (GC) zone is available to auto-oriented, generally large-scale businesses and activities offering retail goods and services meant to serve the needs of the local and regional shoppers.

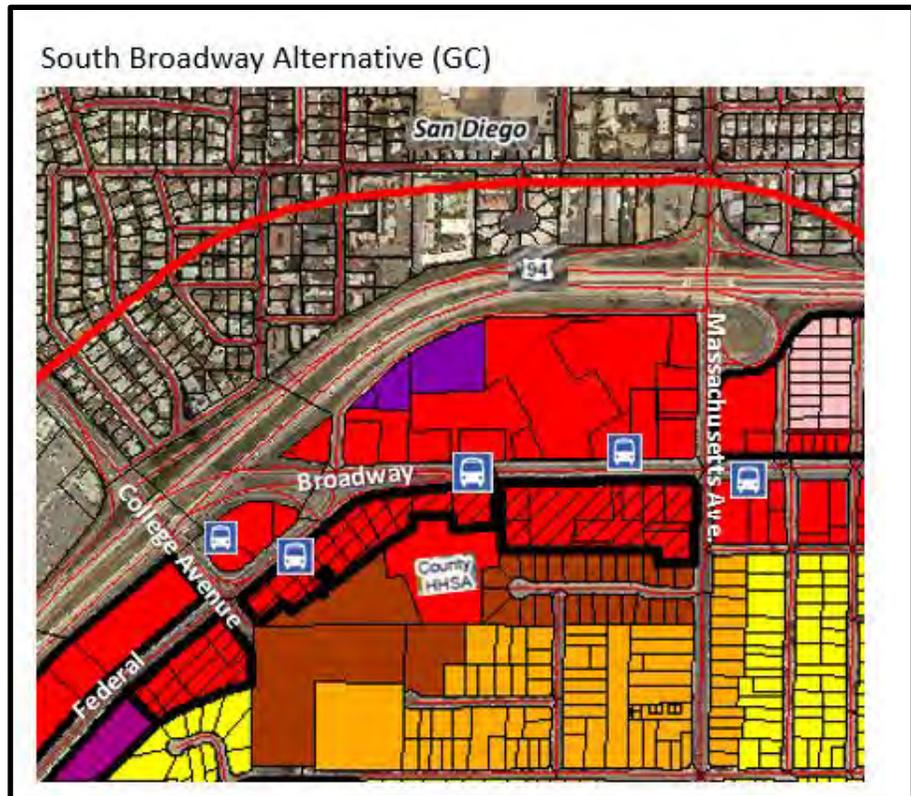
**Distance to Public Transit:** The South Broadway Site is located in walking distance to 5 bus stops. From the center of the site, it is .04

miles from the Broadway bus stop in front of Golden State Gasoline, .17 miles to the bus stop in front of O'Reilly Auto Parts, .25 miles to the bus stop at College Avenue and Federal, .26 miles to the bus stops at College and Massachusetts.

**Distance from residences/schools:** The South Broadway site is located .59 miles from San Miguel Elementary School, as the crow flies. When travelling on major streets, the school is 1 mile away from the center of the proposed zone. The proposed zone abuts Residential Medium/High and Residential Low/Medium zoning areas with topographical boundaries in between the proposed zone and residential areas.

### **Potential Constraints:**

At the October 24, 2018 CAC meeting, the Commission requested the addition of the four GC parcels to the west of College Avenue to be included in the alternative zone. Upon review of the parcels by staff, a medical marijuana dispensary applicant has obtained a Conditional Use Permit for operations at 6859 Federal Blvd., which is the last parcel included in the southwestern most portion of the above proposed zone. At the November 13 meeting, the CAC stated they preferred to leave the four parcels in the proposed site. ]



[Table 1 below summarizes the site characteristics of each of the areas studied by the CAC.]

**Table 1: Potential Overlay Zone Site Opportunities**

<b>Proposed Site</b>	<b>East Broadway</b>	<b>North Ave</b>	<b>GC/HC</b>	<b>County Facility</b>	<b>Light Industrial</b>	<b>Alternative South Broadway</b>
Parcels	12	10	49	1	28	21
Site Availability	None	None	None	None	One site	Two sites
Total Site Area (acres)	9.15	2.88	9.63	4.13	24.97	13.48
Average Site Area (acres)	0.76	0.29	0.20	4.13	0.89	.64
Total Floor Area (sq. ft.)	130,778	26,072	79,712	39,750	296,288	116,922*
Average Floor Area (sq. ft.)	10,898	2,607	1,627	39,750	10,582	7,307.63
Average Age of Structures (years)	52	52	59	30	42	40
Age of Newest Structure (years)	8	41	21	30	15	5

\* data available for only 16 of the 22 parcels

# Attachment A

The following is a listing of the activities of the CAC, by date, and a summary of each meeting:

**May 15, 2018:** The City Council assigned the Community Advisory Commission (CAC) to review the City's Housing Element to determine an appropriate location for zoning for a homeless shelter. Since August 2018, the CAC has met on a consistent, monthly basis to review the five proposed sites<sup>4</sup>, with one additional alternative, understand the legal framework of the matter, solicit public feedback and consider the implications and effects on the community and surrounding areas.

**August 21, 2018:** The CAC received a presentation from Miranda Evans, Management Analyst, and David De Vries, the former Development Services Director, provided background information on the City's General Plan and Land Use Map; components of the Housing Element; state requirements for the Housing Element and SB 2 compliance. He also provided an explanation of what is considered an emergency homeless shelter, an overview of five proposed sites, and the project schedule that staff provided to the California Department of Housing and Community Development (HCD).

**September 11, 2018:** The CAC participated in a visioning exercise led by Claudia Tedford, the City Planning Consultant with CityPlace Planning. As part of the visioning exercise, CAC members were asked to imagine an emergency shelter operating in Lemon Grove in the year 2030. The CAC members shared a list of the most desirable positive attributes that they wish to see in such a facility, and a list of potentially negative attributes that they wish to avoid. Each member was provided with 10 stickers to place to prioritize the most desired positive or negative traits. A ranked summary of these attributes is listed below, with a higher number indicating higher priority. Attributes without a number in parentheses indicates that the item was communicated in the visioning exercise, but was not additionally prioritized.

*Positive attributes desired:*

- Additional social service provision: mental health services, welfare, job assistance, recovery and VA programs (9)
- Close to public transit (5)
- Close to grocery stores and medical services (3)
- Access to probation and social services (3)
- Multiple sites with one for families (3)
- Enough/plentiful space (2)
- Well-lit area (2)
- Visually appealing and welcoming (2)
- Well-lit parking and safe (2)
- Parking area for overnight stays (2)
- Large lot size (2)
- Business center with job resources (1)
- Open space for recreation (1)
- Walkable location with sidewalks (1)
- Far from schools with resources for transportation to schools
- Comfortable waiting/intake areas
- Wi-Fi and charging stations
- Green space and landscaping
- P.O. box access
- Library access
- Proximity to jobs
- Separate restroom facilities for families

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<sup>4</sup> For this process, the prospective zones, or portions of zones, are referred to as sites. Each prospective area is comprised of multiple parcels.

- Language and translation services

*Negative attributes to avoid:*

- Drug use (10)
- Away from sensitive uses (e.g. bars, marijuana dispensaries, liquor stores) (7)
- Away from residential areas (7)
- Away from schools (3)
- Avoid restrictive lots that are too narrow or small (3)
- Avoid an institutional or industrial aesthetic (3)
- Away from Heavy Commercial uses (2)
- Away from traffic/congested areas (1)

Following the visioning exercise, the CAC received a staff report and presentation that provided a review of the items discussed at the August meeting as well as an in-depth review of five proposed sites. The CAC discussed the attributes of each site in detail.

**October 9, 2018:** The CAC received a presentation from the City Attorney, Jim Lough, about the history of the CAC and the legal requirements outlined in SB 2. There was also a staff presentation with a review of each of the sites, explanation of acceptable operational shelter standards and management plan, and review of the project timeline. The meeting included in-depth discussion of each of the sites as well as an informal ranking exercise. Seven of the eight members of the CAC (total roster of 3 core members, 1 alternate, and 4 ad hoc members) were present to participate in the exercise. The most desirable option was given a total of five points, the second most desirable option was given 4 points, and so on until the least desirable option was given 1 point. The results from this informal ranking exercise are outlined in the table below.

Overall Ranking	Site	Total Points
1	North Avenue	26
2	GCHC	25
3	Light Industrial	22
4	East Broadway	21
5	County Facility	11

**October 30, 2018:** The CAC hosted a community workshop. The workshop was advertised on the City’s social media platforms of Facebook, Instagram and Twitter, posted on the City’s website home page and events calendar, and a news release was distributed electronically to interested stakeholders and media. A total of 19 individuals attended the workshop which was facilitated by Ms. Tedford as a listening session. Prior to beginning the listening session, for the benefit of the community members present, staff outlined the project background; clearly defined what an emergency homeless shelter is; explained the state’s requirement for Lemon Grove to adopt a zone permitting one; and explained that a site is not being constructed or paid for by the City, but rather that the process is to identify a zone for a developer to build one by-right. An overview of the five proposed sites was provided, and staff introduced a new alternative site on south Broadway, east of Massachusetts, which was seen for the first time by the CAC members and community at this meeting. The alternative was introduced because staff had concerns regarding the feasibility of two of the sites: North Avenue, due to insufficient size, and the County Facility, because the site is currently leased by the County and there may be concerns with spot zoning. During and after the presentation, staff answered questions from the workshop attendees. Collaborative dialogue between the CAC members and workshop attendees also occurred. Following the presentation, the listening session began. A summary of the community feedback received is outlined below.

# Attachment A

## *East Broadway*

- Concern for potential flooding and/or development restrictions due to portions of land owned by Caltrans
- Proximity to neighboring jurisdictions of La Mesa, Spring Valley and San Diego which could cause concerns for noticing

## *North Avenue*

- Concerns with feasibility were raised due to the restrictive size of the zone, 1.77 acres.

## *General / Heavy Commercial*

- The size of the area and large amount of available parcels was discussed as favorable
- Central location in the middle of town
- Zone is part of a Special Treatment Area for Regional Commercial and is the location for a long-term plan for economic development in the City
- Inhibits long-term growth and tax generating uses
- Could be a development deterrent
- Large enough zone with the ability to accommodate additional social services and development activity

## *County Facility*

- Discussed feasibility concerns due to the current County HHSA use and lease, and concern about potential spot zoning.

## *Light Industrial*

- Concerns with school proximity being too far for shelter patrons with children
- Concerns with sidewalks and lighting not being sufficient
- Large size to accommodate a shelter and/or secondary facility
- Seems the least disruptive option
- Still has close proximity to school and services
- Concerns with limited public transportation
- Concerns with proximity to medical marijuana dispensaries on Federal

## *Alternative along South Broadway:*

- Not in a disruptive location
- Close proximity to Broadway corridor
- Close proximity to the County facility and beneficial to be very near the Health and Human Services Agency
- Walkable to transportation
- Adequate sidewalks and lighting; schools
- Request to add 4 parcels that are directly to the west of College Avenue

Following the listening session, a clear general consensus was established with the workshop attendees and CAC members. The preferred site was the South Broadway alternative over all the other sites, with no stated opposition. Clear consensus was also expressed that the North Avenue site and the County Facility are no longer considered feasible options for inclusion in the shelter overlay zone due to inadequate size and unfeasibility, respectively.

**November 13, 2018:** At the final CAC meeting, staff again provided a brief overview of the four remaining sites. The names of the four sites were listed on a flip chart and each of the CAC members provided their ranking of the four sites. These were tabulated, and the South Broadway Alternative was unanimously selected as the highest ranked site, with one member abstaining from the prioritization exercise. The CAC then ranked the site zoned General Commercial/Heavy Commercial (GC/HC) as second, the East Broadway sites ranked third, and the Light Industrial sites ranked fourth.

### *Emergency Shelter Overlay Zone:*

An Emergency Shelter Overlay Zone will be created to permit a developer to locate a shelter at any location within the boundaries of the overlay zone. The overlay zone will identify the specific parcels where an emergency shelter will be permitted, along with a map to depict the overlay zone boundaries. Development standards will be included in the overlay zone. Development standards cannot be more strict than what is currently established in that zone, but specific standards related to an emergency shelter can be included.

The proposed development standards to be included in the ordinance, in accordance with State law, are as follows:

An emergency shelter in the overlay area must comply with the following:

- a) Each emergency shelter shall be located within an entirely enclosed, permanent structure.
- b) Each emergency shelter may have a maximum of sixty (60) beds to serve a maximum of sixty (60) clients.
- c) The maximum length of stay at any one (1) time for any person shall be six (6) months in any twelve (12) month period.
- d) One parking space for each employee, volunteer, service provider, and non-client who will be on-site during peak periods plus one space per three (3) beds.
- e) There shall be no camping/sleeping in vehicles permitted on the site of the shelter.
- f) An emergency shelter shall be located at least three hundred (300) feet from another emergency shelter, as measured from property boundaries.
- g) Each emergency shelter shall provide on-site supervision at all times when the shelter is open.
- h) Each shelter shall conform to the City's outdoor lighting requirements.
- i) The emergency shelter operator/provider shall submit a written management plan, to the satisfaction of the city, with the plot plan application for approval. The intent of the management plan is to establish operating procedures that promote compatibility with the surrounding area and businesses. The operator shall agree to maintain the standards in the management plan.

### **Conclusion:**

The CAC met a total of 5 times to study the issue of identifying a site to be zoned for an emergency shelter, and after careful consideration, recommends to the Planning Commission the following ranked list of sites:

1. South Broadway Alternative
2. General Commercial/Heavy Commercial (GC/HC)
3. East Broadway
4. Light Industrial

Staff recommends that the Planning Commission: 1) conduct the public hearing, and 2) recommend City Council approval an Emergency Shelter Overlay Zone to be created for the South Broadway sites, including the proposed development standards.

# ATTACHMENT B

## RESOLUTION NO.

### RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF LEMON GROVE, CALIFORNIA, RECOMMENDING THAT THE CITY COUNCIL OF THE CITY OF LEMON GROVE CREATE AN EMERGENCY SHELTER OVERLAY ZONE TO COMPLY WITH STATE LAW.

---

**WHEREAS**, the City of Lemon Grove is considering Zoning Amendment ZA1-800-0003 to the Lemon Grove Municipal Code (ZA1-800-0003) to identify a zone where an emergency shelter shall be allowed as a permitted use without a conditional use permit and certain standards for the emergency shelters operation/capacity that are allowed by the State of California as indicated within Senate Bill No. 2.; and

**WHEREAS**, the City of Lemon Grove must comply with State law, and wishes to create an emergency shelter overlay zone; and

**WHEREAS**, the Community Advisory Committee (CAC) met five times including conducting a community workshop, to consider sites for an appropriate zone for an emergency shelter; and

**WHEREAS**, the CAC evaluated six separate sites in total, and by consensus, ranked the four sites in order of preference; and

**WHEREAS**, the preferred location which the CAC found to be the most favorable area to zone for an emergency shelter is the South Broadway site, as identified in **Exhibit A**; and

**WHEREAS**, the Notice of Public Hearing for this item was published in the November 15, 2018 edition of the East County Californian and mailed to all property owners within 500 feet of the subject property; and

**WHEREAS**, on November 26, 2018, a public hearing was duly noticed and held by the Lemon Grove Planning Commission; and

**WHEREAS**, the Planning Commission finds that the following findings required to approve a Zoning Amendment can be made in accordance with Section 17.28.080(B) of the Municipal Code:

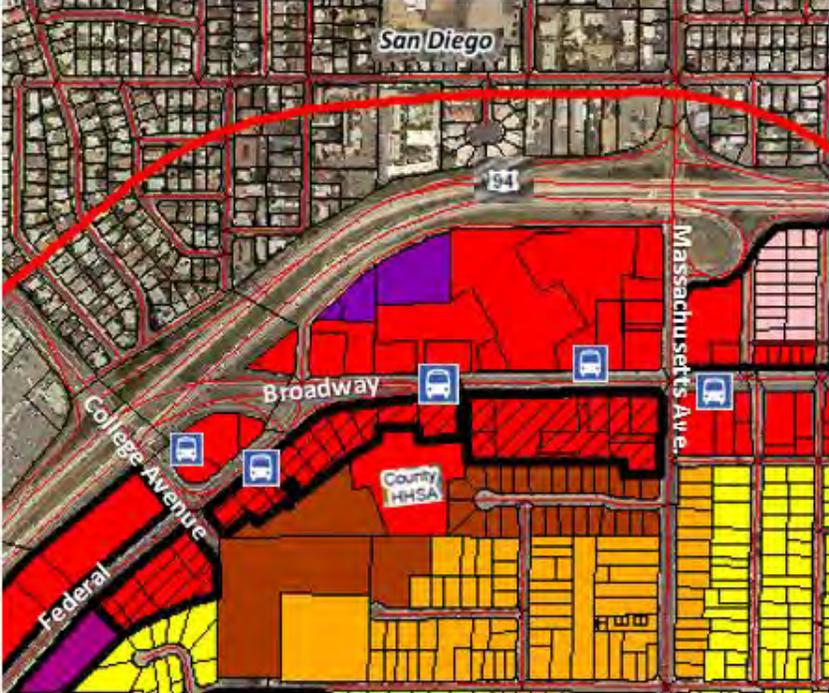
1. That the proposed amendment is consistent with the General Plan, in accordance with Government Code Section 65860, as amended.
  - This action implements Program 15 of the City's Housing Element by amending the City's Zoning Ordinance to explicitly address homeless shelters.
2. That the public health, safety, and general welfare will benefit from the adoption of the proposed amendment.
  - The 2018 San Diego Point in Time Count identified 58 Lemon Grove homeless persons; and
  - Providing a zone where homeless shelters can be developed by-right provides a location for a developer to operate a shelter to house Lemon Grove's homeless.

**NOW, THEREFORE, BE IT RESOLVED** that the Planning Commission of the City of Lemon Grove hereby:

**SECTION 1:** Recommends that the City Council of the City of Lemon Grove approve ZA1-800-0003, and GPA 150-002 amending Lemon Grove Municipal Code (LGMC) to create an emergency shelter overlay zone and adopt associated state-allowed development standards.

# EXHIBIT A

South Broadway Alternative (GC)





# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

### Item No. 3

**Meeting Date:** January 15, 2019

**Submitted to:** Honorable Mayor and Members of the City Council

**Department:** Finance

**Staff Contact:** Molly Brennan, Finance Manager

mbrennan@lemongrove.ca.gov

**Item Title:** 2017-2018 Annual Financial Report

---

**Recommended Action:** Receive, review, and file the annual financial report for fiscal year 2017-2018 (Attachment A).

### Summary:

The City contracted with Van Lant & Fankhanel, LLP to complete the Fiscal Year 2017-2018 independent audit. The audit has been completed and staff presents the annual Financial Report for the Fiscal Year ending on June 30, 2018 (Attachment A). Mr. Greg Fankhanel, Partner at the audit firm, will be available at the City Council meeting to discuss the audit process and internal control report.

### Discussion:

The Annual Financial Report communicates the City's financial condition and activity for the fiscal year ending June 30, 2018. The independent auditor's opinion provides the assurance that the Financial Report presents fairly the City's financial position for the fiscal year.

Included with the Financial Statements are three additional documents from the auditors. First is the Appropriations Limit Report (Attachment B), which reviews the City's adopted fiscal year 2017-2018 Appropriation Limit (or Gann Limit) for compliance with Section 1.5 of Article XIIIB of the California Constitution. The audit found the FY18 adopted Appropriation Limit to be understated by \$12,000. Each year's limit is calculated based on the prior year's limit, therefore Council will receive an amended FY19 Appropriation Limit to adopt at the February 5, 2019 Council Meeting.

Attachment C is a letter from the auditors that is dictated by government auditing standards, the Auditor's Communication with Those Charged with Governance. The purpose of this letter is to allow the auditor to communicate directly with the City Council on the scope of the audit procedures performed, qualitative aspects of the City's accounting practices, significant difficulties encountered during the audit, and any other matters that are not communicated in the audited financial statements.

The final document is the Internal Control Report (Attachment D). This report reviews the audit's findings of deficiencies in internal control that may impact the accuracy of the City's financial statements. The majority of the findings were carried over from the prior year (FY17) Internal Control Report dated April 10, 2018. Due to the 2016-2017 audit being completed late into fiscal year 2017-2018, the internal control issues presented in April 2018 were not able to be fixed for the majority of the fiscal year period of this audit (July 1, 2017 – June 30, 2018). Staff is confident that the Internal Control Report for the current fiscal year (2018-2019) will be much shorter, as the City has already taken action to implement new procedures to improve the City's internal controls.

### Financial Highlights

For a thorough overview of the City's 2017-2018 Annual Financial Report, staff recommends reading the Management's Discussion and Analysis section of the report (page 4). In accordance with governmental accounting standards, the annual Financial Report is focused on the year's activity and a short comparison with the prior fiscal year. Therefore, it is a good tool for presenting the City's current financial position and short-term activity, but not a good indicator of the City's long-term financial trends.

As of June 30, 2018, the City's total assets exceeded its liabilities by \$76.2 million (net position). Total net position decreased by 2.5 percent from the prior year. Although revenue surpassed expenses, increases in total liability reduced the City's net position. Total liabilities increased due to the implementation of Governmental Accounting Standard 75, which puts the total liability of other post-employment benefits (OPEB) on the financial statements, and due to the continuing reduction in the CALPERS discount rate, which increases the total pension liability on the City's books.

As of June 30, 2018 the City's total cash and investments totaled \$30.1 million, while capital assets were valued at \$44.6 million net of depreciation. The General Fund unrestricted fund balance was \$5.5 million, or approximately 39.2 percent of total General Fund expenditures. Actual General Fund revenue exceed expenditures, resulting in a net surplus of \$178,881.

**Environmental Review:**

- Not subject to review  Negative Declaration  
 Categorical Exemption, Section | |  Mitigated Negative Declaration

**Fiscal Impact:**

In accordance with the adopted General Reserve Policy, the \$178,881 of FY2018 General Fund surplus will be divided in half. Through a City Council resolution, half will be transferred to the General Fund Reserve Fund and half is to be used for one-time expenditures. The surplus allocation and resolution will be done in conjunction with the mid-year FY2019 budget update at the February 5, 2019 City Council meeting.

**Public Notification:** None

**Attachments:**

- Attachment A** – Fiscal Year 2017-2018 Annual Financial Report
- Attachment B** – Appropriations Limit Report
- Attachment C** – Auditor’s Communication with Those Charged with Governance
- Attachment D** – Internal Control Report

# CITY OF LEMON GROVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED JUNE 30, 2018**

**City of Lemon Grove  
Financial Statements  
June 30, 2018**

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## Independent Auditor's Report

The Honorable City Council  
City of Lemon Grove, California

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 8 to the financial statements, the City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The schedules listed in the supplementary information section of the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the supplementary information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the schedules listed in the supplementary information section are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Van Lant & Fankhanel, LLP".

December 20, 2018

**CITY OF LEMON GROVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

As management of the City of Lemon Grove (City) we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and attached notes.

**FINANCIAL HIGHLIGHTS**

- The assets plus deferred outflows of the City exceeded its liabilities and deferred inflows of the City by \$76.2 million (net position). Of this amount, \$13.6 million (unrestricted net position) may be used to meet the government's ongoing obligations to residents and creditors.
- The City's overall revenue was \$23.7 million compared to expenses of \$22 million.
- The net position value decreased from the previous year by \$2 million, or 2.5 percent. Although revenue surpassed expenses, the \$3.4 million increase in total liabilities resulted in an overall decrease in net position.
- The City's governmental funds reported a combined ending fund balance of \$13.2 million, a decrease from the previous year of \$0.4 million, or 3 percent.
- At the end of the current fiscal year, the General Fund unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was \$5.5 million, or approximately 39.2% of total General Fund expenditures.
- The City's capital assets (net of depreciation) increased by \$1.4 million.

**OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

A major component of the Financial Section of the City's Annual Financial Report is the Basic Financial Statements, and is comprised of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting, which means the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community services, and development services. The business-type activity of the City is the Lemon Grove Sanitation District.

Included in the government-wide financial statements are two blended component units, the Lemon Grove Sanitation District (Sanitation District) and the Lemon Grove Lighting District (Lighting District). Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. While the Sanitation

District and Lighting District are legally separate agencies, their governing board consists entirely of City Council members.

**Statement of Net Position:** This statement presents information on all of the City’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The following schedule displays a summary of the City’s statement of net position:

**Comparative Statements of Position**  
**June 30, 2018 and 2017**  
(In Thousands)

	Governmental Activities			Business-Type Activities			Citywide Total		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
<b>Assets:</b>									
Cash and investments	8,711	8,623	88	17,738	16,812	926	26,449	25,435	1,014
Other assets	11,273	11,789	(516)	657	64	594	11,930	11,853	77
Capital assets, net	44,605	43,781	824	7,057	6,590	467	51,662	50,371	1,291
<b>Total Assets</b>	<b>64,589</b>	<b>64,193</b>	<b>396</b>	<b>25,452</b>	<b>23,466</b>	<b>1,986</b>	<b>90,041</b>	<b>87,659</b>	<b>2,382</b>
<b>Deferred Outflows of Resources:</b>									
Deferred Outflows	1,949	3,625	(1,676)	532	953	(421)	2,480	4,578	(2,098)
<b>Total Deferred Outflows</b>	<b>1,949</b>	<b>3,625</b>	<b>(1,676)</b>	<b>532</b>	<b>953</b>	<b>(421)</b>	<b>2,480</b>	<b>4,578</b>	<b>(2,098)</b>
<b>Liabilities:</b>									
Long-term liabilities	10,150	7,114	3,037	3,095	1,891	1,204	13,245	9,004	4,241
Other Liabilities	2,299	3,161	(862)	127	97	30	2,426	3,258	(832)
<b>Total Liabilities</b>	<b>12,449</b>	<b>10,274</b>	<b>2,175</b>	<b>3,222</b>	<b>1,988</b>	<b>1,234</b>	<b>15,671</b>	<b>12,262</b>	<b>3,409</b>
<b>Deferred Inflows of Resources:</b>									
Deferred inflows	280	1,354	(1,075)	391	490	(99)	671	1,844	(1,173)
<b>Total Deferred Inflows</b>	<b>280</b>	<b>1,354</b>	<b>(1,075)</b>	<b>391</b>	<b>490</b>	<b>(99)</b>	<b>671</b>	<b>1,844</b>	<b>(1,173)</b>
<b>Net Position:</b>									
Net investment in capital assets	44,358	43,455	903	7,057	6,590	467	51,414	50,045	1,370
Restricted	11,151	10,630	521	-	-	-	11,151	10,630	521
Unrestricted	(1,701)	2,132	(3,833)	15,314	15,352	(38)	13,613	17,484	(3,871)
<b>Total Net Position</b>	<b>53,808</b>	<b>56,217</b>	<b>(2,409)</b>	<b>22,371</b>	<b>21,942</b>	<b>429</b>	<b>76,179</b>	<b>78,159</b>	<b>(1,980)</b>

The City’s total net position decreased by 2.5 percent from last year. Net position from governmental activities decreased by 4.3 percent while net position from business activities increased by 2 percent. The City’s assets exceeded its liabilities by approximately \$76.2 million.

Approximately 67 percent of the City’s net position reflect its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City’s investment is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 17.9 percent of the City's net assets reflect resources that are subject to external restrictions as to how they may be used. These restrictions are typically imposed by parties outside the government, such as creditors, grantors, and laws or regulations of other governments.

**Statement of Activities:** This statement presents information showing how the City's net position changed during the most recent fiscal year. All changes in position are reported as soon as the underlying events giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave). The following schedule shows condensed financial information from the statement of activities:

**Comparative Statements of Activity**  
**June 30, 2018 and 2017**  
(In Thousands)

	Governmental Activities			Business-Type Activities			Citywide Total		
	2018	2017	Change	2018	2017	Change	2018	2017	Change
<b>Revenues:</b>									
Program revenues:									
Charges for Services	2,304	1,857	447	6,471	6,122	349	8,775	7,979	796
Operating grants & contributions	1,191	713	478	-	-	-	1,191	713	478
Capital grants & contributions	1,851	4,992	(3,140)	-	-	-	1,851	4,992	(3,140)
<b>Total Program Revenues</b>	<b>5,345</b>	<b>7,561</b>	<b>(2,216)</b>	<b>6,471</b>	<b>6,122</b>	<b>349</b>	<b>11,816</b>	<b>13,683</b>	<b>(1,867)</b>
General revenues:									
Taxes:									
General property taxes	2,643	2,455	189	-	-	-	2,643	2,455	189
Sales tax	5,430	5,177	254	-	-	-	5,430	5,177	254
Franchise tax	994	939	56	-	-	-	994	939	56
Motor Vehicle in Lieu tax	2,443	2,272	171	-	-	-	2,443	2,272	171
Other	170	578	(408)	154	103	51	324	681	(357)
Transfers	589	652	(63)	(589)	(652)	63	-	-	-
<b>Total general revenues</b>	<b>12,270</b>	<b>12,072</b>	<b>198</b>	<b>(435)</b>	<b>(549)</b>	<b>114</b>	<b>11,835</b>	<b>11,523</b>	<b>312</b>
<b>Total Revenues</b>	<b>17,615</b>	<b>19,633</b>	<b>(2,018)</b>	<b>6,036</b>	<b>5,573</b>	<b>463</b>	<b>23,651</b>	<b>25,206</b>	<b>(1,555)</b>
<b>Expenses:</b>									
General government	2,788	1,543	1,245	-	-	-	2,788	1,543	1,245
Public safety	10,703	9,884	819	-	-	-	10,703	9,884	819
Public works	3,129	4,991	(1,861)	-	-	-	3,129	4,991	(1,861)
Community development	767	882	(115)	-	-	-	767	882	(115)
Sanitation	-	-	-	4,643	4,691	(48)	4,643	4,691	(48)
Interest on long-term debt	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>17,388</b>	<b>17,301</b>	<b>87</b>	<b>4,643</b>	<b>4,691</b>	<b>(48)</b>	<b>22,031</b>	<b>21,991</b>	<b>39</b>
Change in net position	227	2,332	(2,105)	1,393	882	511	1,620	3,214	(1,594)
Beginning net position	56,217	57,211	(994)	21,942	21,117	825	78,159	78,328	(169)
Restatement of net position	(2,636)	(3,326)	690	(964)	(57)	(907)	(3,600)	(3,383)	(217)
<b>Net Position, June 30, 2018</b>	<b>\$ 53,808</b>	<b>\$ 56,217</b>	<b>\$ (2,409)</b>	<b>\$ 22,371</b>	<b>\$ 21,942</b>	<b>\$ 429</b>	<b>\$ 76,180</b>	<b>\$ 78,159</b>	<b>\$ (1,980)</b>

**Governmental Activities:**

The governmental activities decreased the City's net position by \$2.4 million. Total revenues and transfers of \$17.6 million exceed total expenditures by \$227 thousand. Although governmental revenue surpassed expenditures, the \$3 million increase in long term liabilities resulted in the \$2.4 million net position

decline. The \$3 million increase in governmental liability is due to the restatement of net position to account for total other post-employment benefits (OPEB) liability (GASB 75).

Overall, revenues for year ending June 30, 2018, decreased by \$2 million, or 10%. The following is a list of notable changes compared to the prior year:

- ❖ Capital grants & contributions decreased by \$3.1 million due to some one-time capital grants the City received in fiscal year 2017.
- ❖ Total general revenue increased 1.6 percent, driven by a 7.7 percent increase in Property Tax revenue and a 5 percent increase in Sales Tax revenue.

Total expenditures increased by \$87 thousand, or 0.5 percent. The following are the notable changes compared to the prior year:

- ❖ General Government increased by \$1.2 million, or 81 percent primarily due to increased net pension and OPEB liability and changes in pension related deferred inflows/outflows.
- ❖ Public Safety increased by \$819 thousand, or 8.3 percent, due to the annual escalator in the City's contract with the San Diego County Sheriff's Department and the increasing cost of the animal control contract with the City of Chula Vista.
- ❖ Public Works decreased by \$1.9 million, or 37.3 percent, due to the expenditure of one-time grant funding in the prior year.
- ❖ Community Development decreased by \$115 thousand, or 13 percent, due to less building permit and plan revision/development activity.

#### **Business-type Activities:**

The business-type activities increased the City's net position by \$0.4 million. Business-type program revenues exceeded expenditures, resulting in a 2 percent increase to business-type net position. Business-type long-term liability grew by \$1.2 million, due to the implementation of GASB 75 and the addition of OPEB liability. Growth of \$2 million in business-type assets offset the increased liability, resulting in an overall increase to business-type net position. This is the eleventh year that the Lemon Grove Sanitation District has had staff to maintain the sewers, thus allowing for more control over expenditures and an enhanced ability to grow assets for future needs. The \$2 million increase in assets was primarily due to:

- ❖ Total revenue exceeded expenses by \$1.4 million.
- ❖ Net investment in capital assets of \$467 thousand, growing capital assets 7.1 percent over the prior year.

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Unlike the government-wide financial statements, the fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year, and offer summary information for each major fund. Such information may be useful in evaluating a government's near-term financing requirements. In particular, *unassigned fund balance* serves as a useful measure of a government's net resources available for spending at fiscal year-end.

**Governmental Funds:** *Governmental funds* are used to account for the functions reported as *governmental activities* in the government-wide financial statements.

As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of \$13.2 million. The unassigned fund balance, which represents the amount that is available for spending at the City's discretion, is currently at \$4 million. The remainder of fund balance is restricted to indicate that it is

not available for new spending because it has been committed to a variety of restricted purposes including low and moderate housing and debt service.

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major funds – General, and Housing Fund. Data from the other seventeen governmental funds are combined into a single, aggregated presentation entitled Non-major Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the supplementary information section of this report.

The General Fund is the chief operating fund of the City. At June 30, 2018, the total fund balance was \$5.5 million, of which \$5.5 million is considered unassigned fund balance and therefore available for discretionary use.

**Proprietary Funds:** The City maintains two types of proprietary funds; an enterprise fund to account for the Lemon Grove Sanitation District and an internal service fund to account for the City's self-insurance - function. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that provide services to the City's other programs and activities and are reported with Governmental activities in the government-wide financial statements.

There are no restricted net position for these funds, and the changes in net position show a growth over last year for Sanitation of 2 percent and a decrease of the Internal Service fund of 10.4 percent.

**Fiduciary Funds:** The City is the trustee, or fiduciary, for certain funds held on behalf of other agencies or organizations. The City maintains one type of fiduciary fund, a private purpose trust fund, which was established with the dissolution of the former Lemon Grove Redevelopment Agency to report the Successor Agency activity. Fiduciary activity is reported in a separate statement of net position and is excluded from the City's other financial statements because the City cannot use these assets to finance its operations.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Below are three notes of particular interest.

**Note 2 – Cash and Investments:** The City's total cash and investments at the end of the fiscal year totaled \$30.1 million. Approximately \$22.9 million was invested with the Local Agency Investment Fund. Approximately \$4.3 million was invested in Certificates of Deposits, \$1.8 million was held and invested by bond trustees, and the balance was deposited in the City's checking accounts.

**Note 5 – Capital Assets:** Capital assets for the City's governmental activities were valued at \$44.6 million, net of accumulated depreciation. Capital assets for the City's business-type activities were valued at \$7.1 million. This investment in capital assets includes land, buildings, construction in progress, equipment, vehicles, and infrastructure.

**Note 6 – Long-Term Liabilities:** The City had a total long-term debt outstanding of \$13.2 million. The majority of this amount, \$7.7 million is comprised of net pension liability. The City's total long-term debt increased by \$4.2 million from the prior year. This is the first year of GASB 75 implementation, which means the \$3.9 million of Net OPEB Liability was included in the City's financial statements and long-term debt, an increase of \$3.5 million over the prior year. In addition, the City's net pension liability went up by \$1 million over prior year due to the reduction in the discount rate from 7.65% to 7.15% between fiscal year 2017 and 2018.

## **Required Supplementary Information**

The required supplementary information is comprised of budgetary comparisons for the General Fund and the Housing Fund.

The City adopts an annual budget for its General Fund and all other funds. A comparison between budget and actual is incorporated in the financial report to demonstrate compliance with the budget. The original budget was adopted in June 2017. Due to finance staff turn-over, no mid-year budget modifications were made during the 2017-2018 fiscal year.

The General Fund Budgetary Comparison Schedule shows that, for this fiscal year, the General Fund revenues and transfers exceeded projections by \$1.2 million, while the expenditures exceeded projections by \$722,472. The actual revenues and expenditures resulted in a net surplus of \$178,881.

## **REQUESTS FOR INFORMATION**

The Annual Financial Report is designed to provide a general view of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager at the City of Lemon Grove, 3232 Main Street, Lemon Grove, CA 91945, (619) 825-3800, or [mbrennan@lemongrove.ca.gov](mailto:mbrennan@lemongrove.ca.gov).

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## **BASIC FINANCIAL STATEMENTS**

**City of Lemon Grove  
Statement of Net Position  
June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and Investments	\$ 8,711,456	\$ 17,738,261	\$ 26,449,717
Receivables:			
Accounts	2,734,831	655,934	3,390,765
Interest	1,732,202	-	1,732,202
Notes and Loans Receivable	6,693,062	-	6,693,062
Prepaid Items	25,654	6,678	32,332
Internal Balances	5,262	(5,262)	-
Cash and Investments with Fiscal Agent	81,031	-	81,031
Capital Assets, Not Being Depreciated	12,852,027	769,850	13,621,877
Capital Assets, Net of Accumulated Depreciation	31,752,998	6,286,856	38,039,854
<b>Total Assets</b>	<b>64,588,523</b>	<b>25,452,317</b>	<b>90,040,840</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Amounts	1,948,718	531,753	2,480,471
<b>LIABILITIES</b>			
Accounts Payable	1,876,319	100,934	1,977,253
Accrued Liabilities	65,567	26,326	91,893
Deposits Payable	357,134	-	357,134
Unearned Revenue	-	-	-
Noncurrent Liabilities:			
Due Within One Year	191,938	49,599	241,537
Due in More Than One Year	9,958,344	3,045,265	13,003,609
<b>Total Liabilities</b>	<b>12,449,302</b>	<b>3,222,124</b>	<b>15,671,426</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB Related Amounts	89,242	28,182	117,424
Pension Related Amounts	190,457	363,011	553,468
<b>Total Deferred Inflows of Resources</b>	<b>279,699</b>	<b>391,193</b>	<b>670,892</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	44,357,536	7,056,706	51,414,242
Restricted for:			
Transportation	1,072,403	-	1,072,403
Community Development	168,352	-	168,352
Public Safety	614,190	-	614,190
Housing	9,028,731	-	9,028,731
Public-access Television	267,809	-	267,809
Unrestricted	(1,700,781)	15,314,047	13,613,266
<b>Total Net Position</b>	<b>\$ 53,808,240</b>	<b>\$ 22,370,753</b>	<b>\$ 76,178,993</b>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Activities  
Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 2,788,081	329,566	\$ 12,839	\$ -
Public Safety	10,703,373	1,080,647	206,990	7,200
Public Works	3,129,413	114,917	755,408	1,843,865
Community Development	767,367	778,438	215,307	-
<b>Total Governmental Activities</b>	<b>17,388,234</b>	<b>2,303,568</b>	<b>1,190,544</b>	<b>1,851,065</b>
<b>Business-type Activities:</b>				
Sanitation	4,642,513	6,470,933	-	-
<b>Total Business-type Activities</b>	<b>4,642,513</b>	<b>6,470,933</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 22,030,747</b>	<b>\$ 8,774,501</b>	<b>\$ 1,190,544</b>	<b>\$ 1,851,065</b>

General Revenues:

Taxes:

Property Taxes

Sales Taxes

Transient Occupancy Taxes

Franchise Taxes

Motor Vehicle in Lieu Taxes (Unrestricted)

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year (Restated)

Net Position, End of Year

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activites	Business-type Activities	Totals
\$ (2,445,676)	\$ -	\$ (2,445,676)
(9,408,536)	-	(9,408,536)
(415,223)	-	(415,223)
226,378	-	226,378
(12,043,057)	-	(12,043,057)
-	1,828,420	1,828,420
-	1,828,420	1,828,420
(12,043,057)	1,828,420	(10,214,637)
2,643,372	-	2,643,372
5,430,108	-	5,430,108
53,413	-	53,413
994,365	-	994,365
2,443,116	-	2,443,116
51,876	154,186	206,062
64,370	-	64,370
589,294	(589,294)	-
12,269,914	(435,108)	11,834,806
226,857	1,393,312	1,620,169
53,581,383	20,977,441	74,558,824
<u>\$ 53,808,240</u>	<u>\$ 22,370,753</u>	<u>\$ 76,178,993</u>

**City of Lemon Grove  
Balance Sheet  
Governmental Funds  
June 30, 2018**

	General Fund	Special Revenue		Total Non-major Governmental Funds	Totals
		Housing Fund	Transnet Fund		
<b>ASSETS</b>					
Cash and Investments	\$ 5,110,202	\$ 618,814	\$ -	\$ 2,013,682	\$ 7,742,698
Accounts Receivable	963,121	49,975	1,512,659	205,591	2,731,346
Interest Receivable	-	1,732,202	-	-	1,732,202
Notes and Loans	-	6,693,062	-	-	6,693,062
Due from Other Funds	1,020,436	-	-	-	1,020,436
Prepaid Items	20,828	-	-	3,583	24,411
Property Held for Resale	-	-	-	-	-
Due from Successor Agency	-	-	-	-	-
Cash and Investments with Fiscal Agents	2,996	-	-	-	2,996
<b>Total Assets</b>	<b>\$ 7,117,583</b>	<b>\$ 9,094,053</b>	<b>\$ 1,512,659</b>	<b>\$ 2,222,856</b>	<b>\$ 19,947,151</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,280,955	\$ 65,322	\$ 493,647	\$ 35,756	\$ 1,875,680
Accrued Liabilities	52,274	-	1,042	12,251	65,567
Due to Other Funds	-	-	1,020,436	-	1,020,436
Deposits Payable	307,505	-	-	49,629	357,134
Unearned Revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,640,734</b>	<b>65,322</b>	<b>1,515,125</b>	<b>97,636</b>	<b>3,318,817</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	850	1,782,177	1,488,050	121,170	3,392,247
<b>Total Deferred Inflows of Resources</b>	<b>850</b>	<b>1,782,177</b>	<b>1,488,050</b>	<b>121,170</b>	<b>3,392,247</b>
<b>FUND BALANCES (DEFICITS)</b>					
Nonspendable	20,828	-	-	-	20,828
Restricted	-	7,246,554	-	2,004,050	9,250,604
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	5,455,171	-	(1,490,516)	-	3,964,655
<b>Total Fund Balances (Deficits)</b>	<b>5,475,999</b>	<b>7,246,554</b>	<b>(1,490,516)</b>	<b>2,004,050</b>	<b>13,236,087</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,117,583</b>	<b>\$ 9,094,053</b>	<b>\$ 1,512,659</b>	<b>\$ 2,222,856</b>	<b>\$ 19,947,151</b>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2018**

Fund Balances of Governmental Funds \$ 13,236,087

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets	\$ 84,502,853	
Accumulated Depreciation	<u>(39,897,828)</u>	44,605,025

In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 3,392,247

Internal service funds are used by management to charge the cost of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 612,754

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital Lease Payable		(247,489)
Compensated Absences		(763,164)
Net OPEB Liability		(2,969,639)
Net Pension Liability		(5,726,600)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.

Deferred Outflows - Pension Related Amounts		1,948,718
Deferred Inflows - OPEB Related Amounts		(89,242)
Deferred Inflows - Pension Related Amounts		<u>(190,457)</u>

Net Position of Governmental Activities \$ 53,808,240

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2018**

	General Fund	Special Revenue		Total Non-major Governmental Funds	Totals
		Housing Fund	Transnet Fund		
<b>REVENUES</b>					
Taxes and Special Assessments	\$ 11,550,270	\$ -	\$ -	\$ 332,092	\$ 11,882,362
Licenses and Permits	549,632	-	-	-	549,632
Fines, Forfeitures and Penalties	277,486	-	-	-	277,486
Intergovernmental Revenues	36,745	-	667,972	1,280,210	1,984,927
Charges for Services	820,937	-	-	192,908	1,013,845
Use of Money and Property	297,225	-	-	20,303	317,528
Other Revenues	64,370	11,096	-	13,700	89,166
<b>Total Revenues</b>	<b>13,596,665</b>	<b>11,096</b>	<b>667,972</b>	<b>1,839,213</b>	<b>16,114,946</b>
<b>EXPENDITURES</b>					
Current:					
General Government	1,376,439	-	90,563	74,963	1,541,965
Public Safety	10,531,627	-	-	37,983	10,569,610
Public Works	1,404,950	-	-	1,125,707	2,530,657
Community Development	584,253	-	-	44,175	628,428
Capital Outlay	-	-	1,368,259	362,096	1,730,355
Debt Service:					
Principal	78,474	-	-	-	78,474
Interest	8,214	-	-	-	8,214
<b>Total Expenditures</b>	<b>13,983,957</b>	<b>-</b>	<b>1,458,822</b>	<b>1,644,924</b>	<b>17,087,703</b>
Excess (Deficiency) of Revenues Over Expenditures	(387,292)	11,096	(790,850)	194,289	(972,757)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	653,566	-	28,630	187,393	869,589
Transfers Out	(87,393)	-	-	(192,902)	(280,295)
<b>Total Other Financing Sources (Uses)</b>	<b>566,173</b>	<b>-</b>	<b>28,630</b>	<b>(5,509)</b>	<b>589,294</b>
<b>Net Change in Fund Balances</b>	<b>178,881</b>	<b>11,096</b>	<b>(762,220)</b>	<b>188,780</b>	<b>(383,463)</b>
Fund Balances, Beginning of Year	5,297,118	7,235,458	(728,296)	1,815,270	13,619,550
Fund Balances, End of Year	\$ 5,475,999	\$ 7,246,554	\$ (1,490,516)	\$ 2,004,050	\$ 13,236,087

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ (383,463)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current year.

Capital outlay	\$ 2,410,638	
Depreciation expense	<u>(1,548,942)</u>	861,696

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	910,851
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The amounts below included in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Capital Lease	78,474
Compensated Absences	52,584
OPEB Liability	83,606
Net Pension Liability	(666,549)
Claims Payable	-
Loss on Disposal of Capital Assets	(37,347)

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability and Net OPEB Liability are not reported in the funds. This is the net change in deferred outflows/inflows related to the Net Pension and OPEB liability.

Deferred Outflows - Pension Related Amounts	(1,676,164)
Deferred Inflows - OPEB Related Amounts	(89,242)
Deferred Inflows - Pension Related Amounts	1,163,912

Internal service funds are used by management to charge the cost of certain activities, such as risk management, to individual funds. The net revenue (expense) of the internal service funds is recorded with governmental activities.	<u>(71,501)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 226,857</u></u>
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The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Net Position  
Proprietary Funds  
June 30, 2018**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 17,738,261	\$ 968,758
Accounts Receivable	655,934	3,485
Due from Other Funds	-	5,262
Prepays	6,678	1,243
Total Current Assets	<u>18,400,873</u>	<u>978,748</u>
Noncurrent Assets:		
Restricted Cash and Investments	-	78,035
Capital Assets, Not being depreciated	769,850	-
Capital Assets, Net of Accumulated Depreciation	6,286,856	-
Total Noncurrent Assets	<u>7,056,706</u>	<u>78,035</u>
Total Assets	<u>25,457,579</u>	<u>1,056,783</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Amounts	531,753	-
Total Deferred Outflows of Resources	<u>531,753</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	100,934	639
Accrued Liabilities	26,326	-
Due to Other Funds	5,262	-
Compensated Absences	38,499	-
Claims Payable	11,100	44,500
Total Current Liabilities	<u>182,121</u>	<u>45,139</u>
Noncurrent Liabilities:		
Compensated Absences, Noncurrent	49,276	-
Claims Payable, Noncurrent	99,747	398,890
Net OPEB Liability	937,781	-
Net Pension Liability	1,958,461	-
Total Noncurrent Liabilities	<u>3,045,265</u>	<u>398,890</u>
Total Liabilities	<u>3,227,386</u>	<u>444,029</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB Related Amounts	28,182	-
Pension Related Amounts	363,011	-
Total Deferred Inflows of Resources	<u>391,193</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	7,056,706	-
Unrestricted	15,314,047	612,754
Total Net Position	<u>\$ 22,370,753</u>	<u>\$ 612,754</u>

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2018**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for Sales and Services	\$ 6,391,165	\$ -
Other Revenues	79,768	1,846
	6,470,933	1,846
<b>OPERATING EXPENSES</b>		
Personnel Costs	1,717,857	-
Contractual Services	275,777	25,530
Materials and Supplies	88,292	-
Repairs and Maintenance	56,906	-
Capacity and Treatment	2,265,065	-
Utilities	7,760	-
Insurance and Claims	16,396	58,936
Depreciation	214,460	-
	4,642,513	84,466
Total Operating Expenses	4,642,513	84,466
Operating Income (Loss)	1,828,420	(82,620)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	154,186	11,119
	154,186	11,119
Total Nonoperating Revenues (Expenses)	154,186	11,119
Income (Loss) Before Transfers and Capital Contributions	1,982,606	(71,501)
Transfers Out	(589,294)	-
Total Transfers	(589,294)	-
Change in Net Position	1,393,312	(71,501)
Net Position - Beginning of Year (Restated)	20,977,441	684,255
Net Position - End of Year	\$ 22,370,753	\$ 612,754

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2018**

	Business-type Activities Sanitation Fund	Governmental Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 6,395,348	\$ 226
Payments to Suppliers for Goods and Services	(3,287,837)	(139,822)
Payments to Employees for Services	(1,070,515)	-
Net Cash Provided (Used) by Operating Activities	2,036,996	(139,596)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Paid to/Received from Other Funds	(584,032)	(5,262)
Net Cash Provided (Used) by Noncapital Financing Activities	(584,032)	(5,262)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(681,337)	-
Capital Grants	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(681,337)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income Received	154,186	11,119
Net Cash Provided (Used) by Investing Activities	154,186	11,119
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	925,813	(133,739)
Cash and Cash Equivalents - Beginning of the Year	16,812,448	1,180,532
Cash and Cash Equivalents - End of the Year	\$ 17,738,261	\$ 1,046,793
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Cash and Investments	\$ 17,738,261	\$ 968,758
Restricted Cash and Investments	-	78,035
Total Cash and Cash Equivalents	\$ 17,738,261	\$ 1,046,793
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 1,828,420	\$ (82,620)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	214,460	-
(Increase) Decrease in Accounts Receivable	(592,464)	(1,620)
(Increase) Decrease in Prepaids	(6,420)	(1,243)
(Increase) Decrease in Deferred Outflows - Pension Actuarial	421,475	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	30,043	(3,340)
Increase (Decrease) in Net OPEB Liability	(26,401)	-
Increase (Decrease) in Net Pension Liability	345,956	-
Increase (Decrease) in Deferred Inflows	(98,593)	-
Increase (Decrease) in Claims Payable	(84,385)	(50,773)
Increase (Decrease) in Compensated Absences Payable	4,905	-
<b>Net Cash Provided by Operating Activities</b>	\$ 2,036,996	\$ (139,596)

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Net Position  
Fiduciary Funds  
June 30, 2018**

	Successor Agency Private-purpose Trust Fund
<b>ASSETS</b>	
Cash and Investments	\$ 1,804,343
Cash and Investments with Fiscal Agent	1,801,339
Accounts Receivable	1,842
Interest Receivable	1,008,475
Notes Receivable	3,200,230
Property Held for Resale	6,535,362
	14,351,591
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Loss on Refunding	279,211
	279,211
<b>LIABILITIES</b>	
Interest Payable	426,917
Accounts Payable	443,406
Due to the City of Lemon Grove	3,719,687
Bonds Payable, Short-term Portion	740,000
Bonds Payable, Long-term Portion	22,355,000
	27,685,010
<b>NET POSITION</b>	
Net Position Held in Trust for Successor Agency	\$ (13,054,208)

The accompanying notes are an integral part of this statement.

**City of Lemon Grove  
Statement of Changes in Net Position  
Fiduciary Funds  
Year Ended June 30, 2018**

	Successor Agency Private-purpose Trust Fund
<b>ADDITIONS</b>	
Property Taxes	\$ 2,148,571
Interest Revenue	180,250
Total Additions	2,328,821
<b>DEDUCTIONS</b>	
Administration	56,517
Project Costs	1,422,231
Interest Expense	1,028,644
Total Deductions	2,507,392
Change in Net Position	(178,571)
Net Position - Beginning of Year (Restated)	(12,875,637)
Net Position - End of Year	\$ (13,054,208)

The accompanying notes are an integral part of this statement.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

The City of Lemon Grove was incorporated in 1977, under the laws of the State of California.

The accompanying basic financial statements present the financial activities of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The City had no discretely presented component units. The blended component units have a June 30 year end. The following entities are reported as blended component units:

The Lemon Grove Sanitation District (Sanitation District) was established on June 10, 1982 as part of an annexation/detachment change of organization. The Sanitation District provides sewer services within the City of Lemon Grove. The City Council acts as the Sanitation District's governing board and exerts significant influence over its operations.

The Lemon Grove Landscape and Lighting District (Landscape and Lighting District) was established on May 1, 1978 to provide for establishing various street lighting improvements and maintenance for property within the City of Lemon Grove. The City Council acts as the Landscape and Lighting District's governing board and exerts significant influence over its operations.

Separate financial statements for the Sanitation District and Landscape and Lighting District are not prepared.

**B. Basis of Accounting and Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-wide Financial Statements**

The City's Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column. These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Certain eliminations have been made regarding interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following funds as major governmental funds of the City.

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Housing Fund accounts for the housing assets transferred from the former Redevelopment Agency, and the revenues and expenditures for the project area related to low- and moderate-income housing.

Transnet Fund accounts for Transnet allocation and street related projects eligible for Transnet funding. This fund is specifically used to finance significant right-of-way improvements (streets and sidewalks), storm drain, and traffic related projects.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-wide Financial Statements.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following proprietary funds:

Sanitation Enterprise Fund accounts for the operation and maintenance of the wastewater system within the City's boundaries.

Internal service fund balances and activities have been combined with governmental activities in the Government-wide Financial Statements, and are comprised of the following:

Self-insurance Internal Service Fund accounts for all financial transactions related to the City's self-insurance program. The service is provided to other City or agencies of the City on a cost reimbursement basis.

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements consist of a Statement of Net Position and a Statement of Changes in Net Position. The City has two types of fiduciary funds, agency funds (as applicable) and a private-purpose trust fund. Agency funds are used to account for the assets held for distribution by the City as an agent for another entity for which the City has custodial responsibility and accounts for the flow of assets. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting.

The City reports the following fiduciary fund:

Successor Agency to the Lemon Grove Community Development Agency Private-purpose Trust Fund accounts for the balances and activities relating to the dissolution of the former Community Development Agency (Agency), except those accounted for in the Housing Special Revenue Fund of the City.

**C. Cash, Cash Equivalents, and Investments**

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments with varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**D. Restricted Cash and Investments**

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

**E. Compensated Absences**

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than two times their regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Unused sick leave at termination is lost, unless eligible for conversion to retirement credit as provided by the City contract with CalPERS. For safety employees, upon retirement or termination of employment, suppression employees shall be paid for all accrued unfrozen sick leave at the rate of one-half the accumulated time. Pay shall be based upon vested amounts at the employee's pay rate at the time the hours were earned. Upon retirement, employees have the option to apply sick leave toward retirement credit on an hour-for-hour basis. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

**F. Property Taxes**

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls, as follows:

Property Valuations are established by the Assessor of the County of San Diego for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Tax Levies are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation. The City's share of the \$1.00 varies depending on the tax rate area and it ranges from \$0.0730 to \$0.125. Tax Levy Dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Levy Apportionments: Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees: The State of California FY 1990-91 Budget Act authorized counties to collect an administration fee for collection and distribution of property taxes. Property taxes are recorded net of administration fees withheld during the fiscal year.

The following are significant dates relating to the City's property taxes:

Lien date	March 1
Levy date	June 30
Due date	November 1 and February 1
Collection dates	December 10 and April 10

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 (\$100,000 for infrastructure) or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2017.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Structures and Improvements	40
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	3 to 15
Other Equipment and Furnishings	3 to 20
Computer Equipment	3 to 10

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**H. Interest Payable**

In the Government-wide and Proprietary Funds Financial Statements, interest payable on long-term debt is recognized as the liability is incurred.

**I. Unavailable and unearned revenue**

Unearned revenue is reported for transactions for which revenue has not yet been earned. In the governmental fund financial statements, unavailable revenue is recorded when transactions have not met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable and unearned revenues for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which unearned and unavailable revenues are recorded are grants received but not yet earned or available.

**J. Claims and Judgments**

The short-term and long-term workers' compensation and general liability claims payable are reported in the Internal Service Fund. The short-term liability which will be liquidated with current financial resources is the amount of settlement reached, but unpaid, related to claims and judgments entered.

**K. Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**L. Long-term Obligations**

In the Government-wide Financial Statements and Proprietary Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed when bonds are issued.

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

**M. Net Position**

In the Government-wide Financial Statements, net position is classified in the following categories:

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

Restricted – This category is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted – This category represents all other amounts that do not meet the definition of net investment in capital assets or restricted net position as defined above.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**N. Fund Balances**

**Non-spendable Fund Balances**

These include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact; e.g., the principal of an endowment fund. Examples of “not in spendable form” include inventory, prepaid amounts, property held for resale and other items not expected to be converted to cash. However, if the proceeds from the eventual sale or liquidation of the items would be considered restricted, committed or assigned (as defined further on) then these amounts would be classified as restricted, committed or assigned rather than non-spendable. A debt service reserve fund held by a trustee is an example of fund balance in non-spendable form that is classified as restricted instead of non-spendable since the reserve is eventually liquidated to make the final debt service principal payment.

**Restricted Fund Balances**

Restricted fund balances have externally enforceable limitations on use. The limitations on use can be imposed by creditors, grantors, or contributors as well as by constitutional provisions, City charter, enabling legislation, laws and government regulations.

**Committed Fund Balances**

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (Ordinance) of the City Council are classified as committed fund balances.

**Assigned Fund Balances**

Fund balance amounts for which the City Council has expressed intent for use but not taken formal action to commit are reported as assigned under GASB 54.

**Unassigned Fund Balance**

The residual classification for the General Fund is unassigned fund balance. The General Fund is the only fund that may report a positive unassigned fund balance. Negative fund balance reported in Special Revenue Funds is classified as unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then followed by unrestricted resources in the following order: committed, assigned, and unassigned, as necessary.

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports an unamortized deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price, and deferred employer pension contributions as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports two items in this category: unavailable revenues and amounts related to changes in the City’s net pension liability that are deferred and amortized over a stated number of years. Unavailable revenues arise only under the modified accrual basis of accounting and, accordingly, are reported only in the governmental funds. The governmental funds report unavailable revenue from grants, sales tax revenues, and other applicable revenues.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

These amounts are deferred and will be recognized as inflows of resources in the period that the amounts become available. The City also reports deferred inflows as a result of the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**P. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Lemon Grove's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Q. New Accounting Pronouncements**

The Governmental Accounting Standards Board has issued the following Pronouncements, which may affect the City's financial reporting requirements in the future:

*GASB 83 - Certain Asset Retirement Obligations:* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

*GASB 84 - Fiduciary Activities:* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*GASB 87 - Leases:* This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB 88 - Certain Disclosures Related to Debt:* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

*GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period:* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB 90 - Majority Equity Interests:* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In addition, the City implemented the following GASB pronouncements as of June 30, 2018 (see Note 8):

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:* This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

**2. CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

Cash and investments within the basic financial statements are reported as follows:

	Government-wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and Investments	\$ 8,711,456	\$ 17,738,261	\$ 1,804,343	\$ 28,254,060
Restricted Cash and Investments	81,031	-	1,801,339	1,882,370
<b>Total Cash and Investments</b>	<b>\$ 8,792,487</b>	<b>\$ 17,738,261</b>	<b>\$ 3,605,682</b>	<b>\$ 30,136,430</b>

Cash and investments as of June 30, 2018 consist of the following:

Cash on Hand	\$ 1,700
Deposits with Financial Institutions	1,056,356
Deposits with Fiscal Agent	81,031
Total Cash on Hand and Deposits	1,139,087
Local Agency Investment Fund	22,852,002
Certificates of Deposit	4,344,002
Total Investments	27,196,004
Investments with Fiscal Agent:	
Money Market	3,640
U.S. Treasury Note	619,693
FHLB	600,084
Corporate Issues	577,922
Total Fiscal Agent Investments	1,801,339
Total Cash and Investments	<b>\$ 30,136,430</b>

**B. Deposits**

The carrying amount of the City's deposits was \$1,137,387 at June 30, 2018. Bank balances before reconciling items amounted to \$1,623,208 at June 30, 2018. The City has not waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Amounts are collateralized with securities held by the pledging financial institution in the City's name.

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposits.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**2. CASH AND INVESTMENTS – Continued**

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**C. Investments Authorized by the California Government Code and the City’s Investment Policy**

The table below identifies the investment types that are authorized for the City of Lemon Grove by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage/Amount of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposits	5 Years	30%	None

**D. Investments Authorized by Debt Agreements**

Investments of debt proceeds held by trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy.

**E. Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

Investment Type	Remaining Maturity (in Months)			
	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$ 22,852,002	\$ 22,852,002	\$ -	\$ -
Certificate of Deposits	4,344,002	247,241	726,309	3,370,452
Held by Fiscal Agents:				
US Bank Money Market	3,640	3,640	-	-
U.S. Treasury Note	619,693	-	-	619,693
Federal Home Loan Bank	600,084	-	-	600,084
Private Export Funding Corp.	577,922	-	-	577,922
	<u>\$ 28,997,343</u>	<u>\$ 23,102,883</u>	<u>\$ 726,309</u>	<u>\$ 5,168,151</u>

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**2. CASH AND INVESTMENTS – Continued**

**F. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The City's investments (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations.

**G. Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the following page is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	AA+	Aaa	Unrated
Local Agency Investment Fund	\$ 22,852,002	N/A	\$ -	\$ -	\$ 22,852,002
Cerificates of Deposits	4,344,002	N/A	-	-	4,344,002
Held by Fiscal Agents:					
US Bank Money Market	3,640	AAA	-	-	3,640
U.S. Treasury Note	619,693	N/A	-	619,693	-
Federal Home Loan Bank	600,084	N/A	600,084	-	-
Private Export Funding Corp.	577,922	A-1+	-	577,922	-
<b>Total</b>	<b>\$ 28,997,343</b>		<b>\$ 600,084</b>	<b>\$ 1,197,615</b>	<b>\$ 27,199,644</b>

**H. Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. The City has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, non-major funds in the aggregate).

**I. Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

**J. External Investment Pools**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**K. Investment Valuation**

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**2. CASH AND INVESTMENTS – Continued**

Restricted cash and investments included money market accounts and guaranteed investment contracts which are not subject to fair value measurement. The City has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury Securities of \$619,693 are valued using quoted market prices (Level 1 inputs).
- Federal Agency Securities of \$600,084 are valued using a matrix pricing model (Level 2 inputs).
- Certificates of Deposit of \$4,344,002 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Securities of \$577,922 are valued using quoted market prices (Level 1 inputs).

The City's fair value for its investment in the State of California Local Agency Investment Fund (LAIF) is based on the fair market value factors provided by LAIF that are calculated based on the total fair market value of the pool. LAIF includes investments categorized as Level 1 such as United States Treasury securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets, and investments categorized as Level 2, such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such as yield curves and indices derived principally from, or corroborated by, observable market data by correlation to other means.

**3. NOTES RECEIVABLE**

As of June 30, 2018, Notes Receivable of \$9,893,292 consisted of the following:

Hitzke Development Corporation

During the fiscal year ended June 30, 2009, the City entered into Owner Participation Agreements with Hitzke Development Corporation (Developer) for the development of several projects within the City's project area. In addition, the City executed promissory notes with the Developer with amounts not-to-exceed (excluding accrued interest) \$2,763,292 for Citronica One, \$2,500,000 for Citronica Two, and \$1,500,000 for Citronica Three, all at 3.0% interest and secured by a deed of trust for each note creating a valid lien upon the Developer's interest in the development parcels. The funds are being used to construct a 54-unit mixed-use affordable housing project. The notes call for funds to be advanced to the borrower for the purchase of several parcels to be used for the projects. In addition, the funds can be used for certain pre-development costs.

During the fiscal year ended June 30, 2013, the City executed another promissory note with the Developer in an amount not-to-exceed (excluding interest) \$1,323,031 for Citronica One. The notes are due and payable two (2) years from the date of the execution of the notes or rolled over as additional assistance into the development and disposition agreement. As of June 30, 2018, the City had advanced \$4,263,292 and \$2,500,000 (Citronica One and Two, respectively) to the borrower. In addition, \$1,067,528 and \$710,249 (Citronica One and Two, respectively) of cumulative interest is accrued as of June 30, 2018.

Community Collective

The City issued a Note to Community Collective in an amount not-to-exceed \$3,130,000 at 3.0% interest secured by a deed of trust, assignment of rents, a security agreement and fixture filing. Community Collective is using the funds to construct a mixed-use, multi-family residential housing project for extremely low, very low, and low-income persons. The Note calls for funds to be advanced to the borrower for costs related to the project as the costs are incurred by the borrower. The note is due and payable in full in fifty-five (55) years from the date of the note or upon sale or refinancing of the project. In the event there is surplus cash (as defined in the note), Community Collective shall pay the City one-half of the available surplus cash.

As of June 30, 2018, the City had advanced \$3,130,000 to the borrower. In addition, \$973,994 of cumulative interest is accrued as of June 30, 2018.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**4. DUE FROM SUCCESSOR AGENCY**

The General Fund previously advanced the former Lemon Grove Community Development Agency amounts to fund various redevelopment projects. The advances payable had no stated interest rate. During fiscal year 2012, following the dissolution of California redevelopment agencies, the payable was transferred from the former Agency to the Private-purpose Trust Fund - Successor Agency to the Lemon Grove Community Development Agency. The repayment of this amount is uncertain as of June 30, 2018, and is subject to approval by the State Department of Finance as an enforceable obligation of the Successor Agency under applicable redevelopment agency dissolution law. As of June 30, 2018, the amount due from the Successor Agency was \$3,719,687, and is offset by an allowance for doubtful accounts.

**5. CAPITAL ASSETS**

**A. Governmental Activities**

Capital asset activity for governmental activities for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities	Beginning of Year	Additions	Deletions	End of Year
Capital Assets, Not Being Depreciated:				
Land and Improvements	\$ 7,520,853	\$ -	\$ -	\$ 7,520,853
Construction in Progress	3,330,550	2,069,146	(68,522)	5,331,174
Total Capital Assets, Not Being Depreciated	<u>10,851,403</u>	<u>2,069,146</u>	<u>(68,522)</u>	<u>12,852,027</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	9,672,999	177,715	-	9,850,714
Vehicles and Equipment	2,530,509	72,670	(33,109)	2,570,070
Infrastructure	59,100,541	129,501	-	59,230,042
Total Capital Assets, Being Depreciated	<u>71,304,049</u>	<u>379,886</u>	<u>(33,109)</u>	<u>71,650,826</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,552,291)	(234,339)	-	(6,786,630)
Vehicles and Equipment	(1,531,623)	(155,344)	25,890	(1,661,077)
Infrastructure	(30,290,862)	(1,159,259)	-	(31,450,121)
Total Accumulated Depreciation	<u>(38,374,776)</u>	<u>(1,548,942)</u>	<u>25,890</u>	<u>(39,897,828)</u>
Capital Assets Being Depreciated, Net	<u>32,929,273</u>	<u>(1,169,056)</u>	<u>(7,219)</u>	<u>31,752,998</u>
Total Capital Assets - Governmental Activities	<u>\$ 43,780,676</u>	<u>\$ 900,090</u>	<u>\$ (75,741)</u>	<u>\$ 44,605,025</u>

Depreciation expense was allocated to the various functions as follows:

General Government	\$ 42,240
Public Safety	125,549
Public Works	1,245,274
Community Development	135,879
Total Depreciation	<u>\$ 1,548,942</u>

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**5. CAPITAL ASSETS – Continued**

**B. Business-type Activities**

Capital asset activity for business-type activities for the fiscal year ended June 30, 2018, was as follows:

Business-type Activities	Beginning of Year	Additions	Deletions	End of Year
<b>Capital Assets, Not Being Depreciated:</b>				
Land and Improvements	\$ 3,724	\$ -	\$ -	\$ 3,724
Construction in Progress	1,338,927	681,337	1,254,138	766,126
Total Capital Assets, Not Being Depreciated	<u>1,342,651</u>	<u>681,337</u>	<u>1,254,138</u>	<u>769,850</u>
<b>Capital Assets, Being Depreciated:</b>				
Machinery and Equipment	1,366,481	-	-	1,366,481
Infrastructure	12,174,611	1,254,138	-	13,428,749
Total Capital Assets, Being Depreciated	<u>13,541,092</u>	<u>1,254,138</u>	<u>-</u>	<u>14,795,230</u>
<b>Less Accumulated Depreciation:</b>				
Machinery and Equipment	(1,012,319)	(58,289)	-	(1,070,608)
Infrastructure	(7,281,595)	(156,171)	-	(7,437,766)
Total Accumulated Depreciation	<u>(8,293,914)</u>	<u>(214,460)</u>	<u>-</u>	<u>(8,508,374)</u>
Capital Assets Being Depreciated, Net	<u>5,247,178</u>	<u>1,039,678</u>	<u>-</u>	<u>6,286,856</u>
Total Capital Assets - Business-type Activities	<u>\$ 6,589,829</u>	<u>\$ 1,721,015</u>	<u>\$ 1,254,138</u>	<u>\$ 7,056,706</u>

**6. LONG-TERM DEBT**

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Payable	\$ 325,963	\$ -	\$ (78,474)	\$ 247,489	\$ 80,452
Compensated Absences	815,748	-	(52,584)	763,164	66,986
Net OPEB Obligation	417,695	-	(417,695)	-	-
Net OPEB Liability	-	2,969,639	-	2,969,639	-
Net Pension Liability	5,060,051	666,549	-	5,726,600	-
Claims Payable	494,163	132,539	(183,312)	443,390	44,500
Total	<u>\$ 7,113,620</u>	<u>\$ 3,768,727</u>	<u>\$ (732,065)</u>	<u>\$ 10,150,282</u>	<u>\$ 191,938</u>
<b>Business-type Activities:</b>					
Compensated Absences	\$ 82,870	\$ 4,905	\$ -	\$ 87,775	\$ 38,499
Net OPEB Liability	-	937,781	-	937,781	-
Net Pension Liability	1,612,505	345,956	-	1,958,461	-
Claims Payable	195,232	33,134	(117,519)	110,847	11,100
Total	<u>\$ 1,890,607</u>	<u>\$ 1,321,776</u>	<u>\$ (117,519)</u>	<u>\$ 3,094,864</u>	<u>\$ 49,599</u>

For governmental activities, leases payable, compensated absences, the OPEB liability and the net pension liability are generally liquidated by the General Fund.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**6. LONG-TERM DEBT – Continued**

Capital Lease Payable: In 2013, the City entered into a capital lease for the purchase of a pumper, at a price of \$550,000. Annual payments are to be made on July 5 of each year, with the final payment on July 5, 2020. The payments include interest of approximately 2.5%. The following represents the future debt service requirements for this lease:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 80,452	\$ 6,236	\$ 86,688
2020	82,479	4,209	86,688
2021	84,558	2,131	86,689
Total	<u>\$ 247,489</u>	<u>\$ 12,576</u>	<u>\$ 260,065</u>

**Fiduciary Fund Long-term Debt**

A summary of the Successor Agency Fiduciary Fund long-term debt for the 2017-18 fiscal year is as follows:

Tax Allocation Bonds:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Series 2007	\$12,400,000	\$ -	\$ (215,000)	\$12,185,000	\$ 225,000
Series 2010, Refunding	5,880,000	-	(380,000)	5,500,000	395,000
Series 2014, Refunding	5,525,000	-	(115,000)	5,410,000	120,000
Total	<u>\$23,805,000</u>	<u>\$ -</u>	<u>\$ (710,000)</u>	<u>\$23,095,000</u>	<u>\$ 740,000</u>

2007 Tax Allocation Bonds: In June 2007, the former Redevelopment Agency issued \$13,830,000 of Tax Allocation Bonds with interest rates varying from 4.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year, through 2037. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bonds were issued to finance redevelopment activities within or for the benefit of the Agency's project area, and to finance low- and moderate-income housing activities within the geographic boundaries of the City of Lemon Grove. Future debt service requirements are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 225,000	\$ 538,412	\$ 763,412
2020	230,000	529,084	759,084
2021	230,000	519,540	749,540
2022	240,000	509,668	749,668
2023	255,000	499,149	754,149
2024	260,000	488,010	748,010
2025	290,000	475,910	765,910
2026	300,000	462,930	762,930
2027	315,000	449,400	764,400
2028	330,000	435,210	765,210
2029	340,000	420,300	760,300
2030	360,000	404,550	764,550
2031	365,000	388,237	753,237
2032	385,000	371,363	756,363
2033	865,000	343,237	1,208,237
2034	1,085,000	299,363	1,384,363
2035	1,135,000	249,413	1,384,413
2036	1,585,000	188,212	1,773,212
2037	1,655,000	115,312	1,770,312
2038	1,735,000	39,037	1,774,037
Totals	<u>\$ 12,185,000</u>	<u>\$ 7,726,337</u>	<u>\$ 19,911,337</u>

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**6. LONG-TERM DEBT – Continued**

2010 Tax Allocation Refunding Bonds: During fiscal year 2011, the former Redevelopment Agency issued \$8,000,000 of Tax Allocation Bonds with interest rates varying from 1.75% to 5.25%, payable semi-annually on February 1 and August 1 of each year, through August 1, 2028. The bonds are payable from and secured by incremental tax revenues. The Bond proceeds were used to refund the former Agency's 1998 Tax Allocation Bonds. The scheduled annual minimum debt service requirements at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 395,000	\$ 265,043	\$ 660,043
2020	410,000	248,430	658,430
2021	425,000	230,155	655,155
2022	445,000	209,690	654,690
2023	470,000	186,685	656,685
2024	490,000	161,965	651,965
2025	520,000	135,957	655,957
2026	545,000	108,534	653,534
2027	570,000	79,537	649,537
2028	600,000	48,825	648,825
2029	630,000	16,538	646,538
Totals	<u>\$ 5,500,000</u>	<u>\$ 1,691,359</u>	<u>\$ 7,191,359</u>

2014 Tax Allocation Refunding Bonds: In August 2014, the Successor Agency issued \$5,740,000 of Tax Allocation Bonds with interest rates varying from 2.00% to 5.00% and payable semi-annually on February 1 and August 1 of each year. The bonds mature annually at various amounts through August 1, 2034. The Bond proceeds were used to refund previously outstanding Tax Allocation Bonds. The scheduled annual minimum debt service requirements at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 120,000	\$ 208,636	\$ 328,636
2020	125,000	204,961	329,961
2021	130,000	201,136	331,136
2022	135,000	196,993	331,993
2023	135,000	192,605	327,605
2024	145,000	186,786	331,786
2025	140,000	179,661	319,661
2026	150,000	172,411	322,411
2027	165,000	165,877	330,877
2028	165,000	160,205	325,205
2029	170,000	154,215	324,215
2030	835,000	135,456	970,456
2031	875,000	102,300	977,300
2032	910,000	66,600	976,600
2033	505,000	38,300	543,300
2034	345,000	21,300	366,300
2035	360,000	7,200	367,200
Totals	<u>\$ 5,410,000</u>	<u>\$ 2,394,642</u>	<u>\$ 7,804,642</u>

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN**

**General Information about the Defined Benefit Pension Plan**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (three miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2016 actuarial valuation report. This report is a publicly available valuation report that can be obtained at the CalPERS' website under Forms and Publications.

The rate plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	Miscellaneous Tier II	Miscellaneous PEPRA
	Prior to November 12, 2005	Prior to January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
	single highest year	36 month average	36 month average
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.5%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	8%	7%	6.5%
Required employer contribution rates	10.110% + \$232,085	7.200% + \$127	6.533% + \$33
		Safety PEPRA	
	Safety	On or after	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	
Benefit formula	3% @ 55	2.7% @ 57	
	single highest year	36 month average	
Benefit vesting schedule	5 years service	5 years service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50	50	
Monthly benefits, as a % of eligible compensation	2.4% to 3%	2% to 2.7%	
Required employee contribution rates	9%	11.5%	
Required employer contribution rates	17.875% + \$131,377	11.990%	

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$363,622 in fiscal year 2018.

The City’s contributions to the Plan for the year ended June 30, 2018 were \$894,949.

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2018, the City reported a liability of \$7,685,061 for its proportionate share of the net pension liability. The City’s net pension liability for the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the Plan’s net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.077112%
Proportion - June 30, 2017	0.077492%
Change - Increase (Decrease)	0.000380%

For the year ended June 30, 2018, the City recognized pension expense of \$1,246,211. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 894,949	\$ -
Differences between actual and expected experience	-	82,427
Changes in assumptions	1,260,096	-
Change in employer’s proportion	-	471,041
Differences between the employer’s contributions and the employer’s proportionate share of contributions	20,160	-
Net differences between projected and actual earnings on plan investments	305,266	-
<b>Total</b>	<b>\$ 2,480,471</b>	<b>\$ 553,468</b>

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

The \$894,949 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2019	\$ 155,097
2020	513,957
2021	543,483
2022	(180,483)
2023	-
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

(1) Depending on age, service and type of employment

(2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS' website under the GASB 68 section.

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 12,185,196
Current Discount Rate	7.15%
Net Pension Liability	\$ 7,685,061
1% Increase	8.15%
Net Pension Liability	\$ 3,972,367

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – Continued**

**Pension Plan Fiduciary Net Position** – Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan**

At June 30, 2018, the City reported no payables to the pension plan, for outstanding contributions required for the year ended June 30, 2018.

**8. OTHER POST EMPLOYMENT BENEFITS**

**General Information About the OPEB Plan**

**Plan Description** - The City provides medical coverage for retirees and their spouses. This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS). The plan is a single-employer defined benefit post-employment healthcare benefits plan. The City’s health plan does not issue a publicly available financial report, and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Benefits Provided** - Employees are eligible for retiree health benefits if they retire from the City on or after age 50 and 5 years of service (age 52 for Miscellaneous PEPR employees), and continue health insurance through a City-sponsored health insurance plan. The City will contribute set amounts (as required by CalPERS) towards the health insurance premiums (currently \$255 for Miscellaneous employees and \$350 for Safety employees).

**Employees Covered by Benefit Terms** – As of the July 1, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or spouses of retirees	
currently receiving benefits	41
Active employees	63
	104

**Contributions** – The Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contributions to the Plan are based on the costs to provide the benefits as described above on a pay as you go basis. For the fiscal year ended June 30, 2018, the City’s pay-as-you-go costs were \$219,256.

**Total OPEB Liability** - The City’s Total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation dated July 1, 2017, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry-age, Level Percent of Pay
Mortality	RP-2014 Employee Healthy Annuitant Mortality Tables
Age at Retirement	50
Health Care Trend Rate	8.00% initial, 5.0% ultimate
Inflation Rate	2.25%
Salary Changes	3.00%
Discount Rate	3.90%
Medical CPI	3.50%

**City of Lemon Grove  
Notes to the Financial Statements  
Year Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS - Continued**

**Discount Rate** – The discount rate used to measure the total OPEB liability was 3.90 percent and is based on the Bond Buyer 20-Bond GO index.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 4,017,427
Changes in the year:	
Service cost	111,460
Interest on the total OPEB liability	144,569
Differences between expected and actual experience	(6,897)
Changes in assumptions	(139,883)
Benefit payments, including implicit subsidy	(219,256)
Net changes	(110,007)
Balance at June 30, 2018	\$ 3,907,420

Changes of assumptions reflect a change in the discount rate from 3.60 percent at July 1, 2017 to 3.90 percent at June 30, 2018.

**Sensitivity of the Total OPEB Liability to changes in the Discount Rate** - The following presents the Total OPEB liability of the City if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.90%)	Discount Rate (3.90%)	1% Increase (4.90%)
Total OPEB liability	\$ 4,408,677	\$ 3,907,420	\$ 3,496,033

**Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates** - The following presents the Total OPEB liability, as well as what the City's Total OPEB would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (7.0% decreasing to 4.0%)	Current Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB liability	\$ 3,799,475	\$ 3,907,420	\$ 4,034,681

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB** - For the year ended June 30, 2018, the City recognized OPEB expense of \$226,673. As of June 30, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 5,518
Changes in assumptions	-	111,906
Total	\$ -	\$ 117,424

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**8. OTHER POST EMPLOYMENT BENEFITS – Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2019	\$	29,356
2020		29,356
2021		29,356
2022		29,356
2023		-
Thereafter		-

**9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance as of the 2017-18 fiscal year. In years prior to the 2016-17 fiscal year the City was a member of an insurance pool (San Diego Pooled Insurance Program Authority) which provided various levels of pooled liability coverage and property insurance, subject to self-insured retention levels and deductibles. The City's current insurance coverage is provided through the CSAC Excess Insurance Authority, as follows:

Program	Limits	SIR/ Deductible
Excess Workers' Compensation	Statutory	\$ 125,000
General Liability	\$ 25,000,000	100,000
Property	Various	5,000
Crime	15,000,000	2,500
Cyber Liability	Various	50,000
Excess Liability	25,000,000	25,000
Pollution	10M/100M	75,000

Claims liabilities of the City are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and pay-out amounts), and other economic and social factors. Settlements have not exceeded coverage for each of the past three fiscal years. The City's claims activity is reported in internal service funds. The following is a summary of changes in claims liabilities for the past three years:

	Fiscal Year Ending June 30,		
	2018	2017	2016
Beginning of Year	\$ 689,395	\$ 188,787	\$ 225,895
Incurred Claims	165,673	528,750	94,846
Claim Payments	(300,831)	(28,142)	(131,954)
End of Year	<u>\$ 554,237</u>	<u>\$ 689,395</u>	<u>\$ 188,787</u>

The estimated Claims Liability at June 30, 2018 of \$554,237 is reported in the City's Governmental Activities and Business-type Activities in the following amounts: \$443,390 and \$110,847, respectively.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**10. FUND BALANCES**

The details of fund balances as of June 30, 2018 are as follows:

	General Fund	Housing Fund	Transnet Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Items	\$ 20,828	\$ -	\$ -	\$ -	\$ 20,828
Restricted for:					
Housing	-	7,246,554	-	-	7,246,554
Public Safety	-	-	-	614,190	614,190
Streets and Transportation	-	-	-	953,699	953,699
Community Development	-	-	-	370,445	370,445
Parks and Recreation	-	-	-	65,716	65,716
Unassigned	5,455,171	-	(1,490,516)	-	3,964,655
<b>Total Fund Balances</b>	<b>\$ 5,475,999</b>	<b>\$ 7,246,554</b>	<b>\$ (1,490,516)</b>	<b>\$ 2,004,050</b>	<b>\$ 13,236,087</b>

**11. JOINT POWERS AUTHORITY**

The City is a member of the Heartland Communications Facility Authority (HCFA). HCFA was created to equip, maintain, operate and staff a facility which provides emergency call receiving and dispatching services to participating agencies. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2018.

Complete financial statements may be obtained at the City of El Cajon, Finance City, 200 E. Main Street, El Cajon, CA 92020.

**12. SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY**

**A. Background**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X126 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City since the City had previously reported its redevelopment agency as a blended component unit in the City's financial statements.

The Bill provides that upon dissolution of the redevelopment agency, either the City or another unit of local government will agree to serve as the "Successor Agency" to hold the assets of the dissolved redevelopment agency until they are distributed to other units of state and local government. On January 17, 2012, the City Council adopted Resolution No. 3071, electing to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California were prohibited from entering into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.

In future fiscal years, Successor Agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

**City of Lemon Grove**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**12. SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY - Continued**

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred in January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the Successor Agency by the Bill.

The California Department of Finance has approved the Lemon Grove Successor Agency's Long-range Management Plan and has also issued a Finding of Completion. The State continues to monitor the Recognized Obligation Payment Schedule (ROPS) that is filed annually by the Successor Agency.

**13. COMMITMENTS AND CONTINGENCIES**

**A. Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that maybe disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**B. Successor Agency**

Amounts paid and accrued for the year ended June 30, 2018 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the fiduciary for the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

**C. Other Commitments and Contingencies**

At June 30, 2018, the City had outstanding construction contracts of approximately \$1.47 million. In addition, the City is a defendant in various pending lawsuits of a nature common to many similar jurisdictions. City management and legal counsel estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the City's financial statements.

**14. PRIOR PERIOD ADJUSTMENTS**

Beginning Net Position for Governmental Activities was decreased by \$2,635,550 due to the implementation of GASB Statement No. 75 (see Note 8). Beginning Net Position for Business-type Activities and the Sanitation Enterprise Fund were decreased by \$964,182 due to the implementation of GASB Statement No. 75.

**15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The \$1,020,436 reported in the General Fund as due from other funds consists of \$1,020,436 due from the Transnet Special Revenue Fund. This represents a temporary, interfund borrowing resulting from routine cash flows and are expected to be repaid within the next fiscal year.

Transfers of \$489,294 and \$100,000 were made from the Sanitation Fund to the General Fund and the Gas Tax Fund, respectively, in accordance with the adopted budget for administrative costs. Additional transfers of \$164,272 were made from non-major governmental funds to the general fund for various costs, including public safety, also in accordance with the adopted budget. The General fund transferred \$87,393 to non-major governmental funds for various project costs. Other significant transfers included amounts transferred between non-major funds to cover various allowable project costs.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Special Assessments	\$ 11,082,000	\$ 11,077,000	\$ 11,550,270	\$ 473,270
Licenses, Fees, and Permits	440,000	428,000	549,632	121,632
Fines and Forfeitures	208,500	183,500	277,486	93,986
Intergovernmental Revenues	15,000	17,000	36,745	19,745
Charges for Services	370,000	374,000	820,937	446,937
Use of Money and Property	212,000	212,000	297,225	85,225
Other Revenues	140,520	121,020	64,370	(56,650)
<b>Total Revenues</b>	<b>12,468,020</b>	<b>12,412,520</b>	<b>13,596,665</b>	<b>1,184,145</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,074,430	1,182,425	1,376,439	(194,014)
Public Safety	10,056,180	10,056,180	10,531,627	(475,447)
Public Works	1,353,980	1,353,980	1,404,950	(50,970)
Community Development	582,200	582,200	584,253	(2,053)
Debt Service	86,700	86,700	86,688	12
<b>Total Expenditures</b>	<b>13,153,490</b>	<b>13,261,485</b>	<b>13,983,957</b>	<b>(722,472)</b>
Excess (Deficiency) of Revenues over Expenditures	(685,470)	(848,965)	(387,292)	461,673
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	844,500	653,566	653,566	-
Transfers Out	(154,030)	(87,393)	(87,393)	-
<b>Total Other Financing Sources (Uses)</b>	<b>690,470</b>	<b>566,173</b>	<b>566,173</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>5,000</b>	<b>(282,792)</b>	<b>178,881</b>	<b>461,673</b>
Fund Balance, Beginning of Year	5,297,118	5,297,118	5,297,118	-
<b>Fund Balance, End of Year</b>	<b>\$ 5,302,118</b>	<b>\$ 5,014,326</b>	<b>\$ 5,475,999</b>	<b>\$ 461,673</b>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Housing Special Revenue Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenues	\$ -	\$ -	\$ 11,096	\$ 11,096
Total Revenues	-	-	11,096	11,096
<b>EXPENDITURES</b>				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	11,096	11,096
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	11,096	11,096
Fund Balance, Beginning of Year	7,235,458	7,235,458	7,235,458	-
Fund Balance, End of Year	<u>\$ 7,235,458</u>	<u>\$ 7,235,458</u>	<u>\$ 7,246,554</u>	<u>\$ 11,096</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Transnet Special Revenue Fund**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 2,346,700	\$ 2,346,700	\$ 667,972	\$ (1,678,728)
Other	-	45,279	-	(45,279)
Total Revenues	<u>2,346,700</u>	<u>2,391,979</u>	<u>667,972</u>	<u>(1,724,007)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	136,140	136,140	90,563	45,577
Capital Outlay	<u>1,928,000</u>	<u>1,470,701</u>	<u>1,368,259</u>	<u>102,442</u>
Total Expenditures	<u>2,064,140</u>	<u>1,606,841</u>	<u>1,458,822</u>	<u>148,019</u>
Excess (Deficiency) of Revenues over Expenditures	<u>282,560</u>	<u>785,138</u>	<u>(790,850)</u>	<u>(1,575,988)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	28,630	28,630
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>28,630</u>	<u>28,630</u>
Net Change in Fund Balances	282,560	785,138	(762,220)	(1,547,358)
Fund Balance, Beginning of Year	<u>(728,296)</u>	<u>(728,296)</u>	<u>(728,296)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (445,736)</u></u>	<u><u>\$ 56,842</u></u>	<u><u>\$ (1,490,516)</u></u>	<u><u>\$ (1,547,358)</u></u>

**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**Schedule of the City's Proportionate Share of the Net Pension Liability  
Last 10 Years\***

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2017	0.077492%	\$ 7,685,061	\$ 4,129,783	186.09%	74.55%
2016	0.077112%	6,672,556	3,966,818	168.21%	74.06%
2015	0.102377%	7,027,037	4,140,577	169.71%	78.40%
2014	0.101819%	6,335,672	3,916,214	161.78%	79.82%

\*Fiscal year 2015 was the first year of implementation; therefore, not all 10 years of information are available.

**Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability**

**Benefit Changes:** None

**Changes in Assumptions:** In 2017, the accounting discount rate changed from 7.65% to 7.15%

**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**Schedule of Plan Contributions  
Last 10 Years\***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ 894,949	\$ (894,949)	\$ -	\$ 4,285,339	20.88%
2017	813,911	(813,911)	-	4,129,783	19.71%
2016	909,279	(2,737,595)	(1,828,316)	3,966,818	69.01%
2015	929,245	(1,194,245)	(265,000)	3,854,444	30.98%

\*Fiscal year 2015 was the first year of implementation; therefore, not all 10 years of information are available.

**Notes to the Schedule of Plan Contributions**

Valuation Date: 6/30/13, 6/30/14, 6/30/15, and 6/30/16

**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**Schedule of Changes in the City's  
Total OPEB Liability and Related Ratios  
Last Ten Years (or years for which information is available)**

	Measurement Period
	2018
<b>Total OPEB Liability</b>	
Service cost	\$ 111,460
Interest on total OPEB liability	144,569
Changes in benefit terms	-
Differences between expected and actual experience	(6,897)
Changes of assumptions	(139,883)
Benefit payments	(219,256)
Net change in total OPEB liability	(110,007)
Total OPEB liability - beginning	4,017,427
Total OPEB liability - ending (a)	\$ 3,907,420
Covered-employee payroll	\$ 4,220,545
Total OPEB liability as a percentage of covered employee payroll	92.58%

**Notes to the schedule:**

No assets are accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4, to pay related benefits.

**Changes of assumptions** - Changes of assumptions reflect a change in the discount rate from 3.60 percent at July 1, 2017 to 3.90 percent at June 30, 2018.

**City of Lemon Grove  
Required Supplementary Information  
Year Ended June 30, 2018**

**1. BUDGETS AND BUDGETARY ACCOUNTING**

**A. *Budgetary Control and Budgetary Accounting***

The City Council approves each fiscal year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the council. Supplemental appropriations, where required during the period, are also approved by the Council. Budget transfers that affect the total appropriations for any fund require City Council approval. Budget transfers within a budget code with no change in appropriation within the budget code are approved by the City Manager only and do not require approval by the City Council. A budget code could be a program, or a division of a City, or a City. In most cases, expenditures may not legally exceed appropriations at the budget code level for the General Fund, and fund level for Special Revenue, Capital Projects, and Debt Service Funds.

At fiscal year-end, all operating budget appropriations lapse with the exception of encumbered and continuing appropriations.

Budgets are adopted for all funds.

**B. *Encumbrances***

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue, and Capital Projects funds. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at fiscal year-end are completed. They do not constitute expenditures or estimated liabilities.

**C. *Continuing Appropriations***

The unexpected and unencumbered appropriations that are available and recommended for continuation are approved by the City Council for carryover to the following fiscal year.

**D. *Budget Basis of Accounting***

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (US GAAP).

## **SUPPLEMENTARY INFORMATION**

**City of Lemon Grove  
Non-major Governmental Funds  
Year Ended June 30, 2017**

**Special Revenue Funds**

**Gas Tax Fund** is supported by revenue from the State gas tax fund. Fund proceeds may be used to research, plan, construct, improve, maintain and operate local streets.

**Parkland Dedication Fund** accounts for fees in-lieu of dedicating park land that are to be used for the purchase of park land, the development of new parks, or the major rehabilitation of existing parks.

**Supplemental Law Enforcement Service Fund** accounts for State grant proceeds to be used to augment the staffing level of Sheriff deputies.

**Sundry Grants Fund** accounts for grants currently being administered by the City.

**CDBG Fund** accounts for grant proceeds from the Community Development Block Grant program. Funds are expended and then reimbursed by the County of San Diego.

**TDA Fund** accounts for transit proceeds allocated from MTS for maintenance of landscaping along the trolley corridor and maintenance of trolley stations and bus shelters throughout the City.

**Lighting District Fund** accounts for activities relating to the Roadway Lighting District which provides for street light benefits and enhanced lighting benefits.

**Storm Water Fund** accounts for designated storm water program fees and support the City's storm water program - a State and Federal mandated program.

**Household Hazardous Waste Fund** accounts for the City's household hazardous waste disposal program. This program is supported by AB 939 funds which are collected for this and recycling related programs. The City relies on this fund for contractual services to provide household hazardous waste events and to promote a higher level of recycling within the City.

**Wild Flower Assessment Fund** accounts for the Wildflower Landscaping Maintenance Assessment District.

**PEG (Public/Education/Government) Fund** accounts for designated monies from cable franchisees that operate within the City. The use of these monies is restricted to capital items that enhance or facilitate public access to government information.

**Serious Traffic Offender Fund** accounts for impound fees to pay for Sheriff traffic division overtime and other traffic related expenses.

**Capital Project Funds**

**Street Construction Fund** accounts for amounts which are restricted for larger street projects.

**Sidewalk Reserve Fund** accounts for amounts restricted for larger sidewalk projects.

**Main Street Promenade CFD Fund** accounts for voter-approved assessments for capital improvements.

**Safety Capital Purchases Fund** accounts for one-time "SAFE" program monies restricted for public safety capital expenditures.

**Transportation Mitigation Fund** accounts for fees related to the passage of the Transnet extension. These fees represent per housing unit fees for new residential development. Expenditures from this fund are to be used to initiate street improvement projects on a major arterial within the City.

**City of Lemon Grove  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2018**

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>ASSETS</b>				
Cash and Investments	\$ 11,046	\$ 65,483	\$ 68,715	\$ 71,255
Accounts Receivable	57,105	233	-	546
Prepays	17	-	-	-
<b>Total Assets</b>	<b>\$ 68,168</b>	<b>\$ 65,716</b>	<b>\$ 68,715</b>	<b>\$ 71,801</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,008	\$ -	\$ -	\$ 442
Accrued Liabilities	11,262	-	-	-
Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>14,270</b>	<b>-</b>	<b>-</b>	<b>442</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants Receivable	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE (DEFICITS)</b>				
Restricted	53,898	65,716	68,715	71,359
Committed	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>53,898</b>	<b>65,716</b>	<b>68,715</b>	<b>71,359</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>	<b>\$ 68,168</b>	<b>\$ 65,716</b>	<b>\$ 68,715</b>	<b>\$ 71,801</b>

Special Revenue

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ 200,073	\$ 340,952	\$ 461	\$ 177,090	\$ 2,615
-	121,834	4,559	-	1,869	10
-	-	1	3,562	3	-
<u>\$ -</u>	<u>\$ 321,907</u>	<u>\$ 345,512</u>	<u>\$ 4,023</u>	<u>\$ 178,962</u>	<u>\$ 2,625</u>
\$ -	\$ 6,833	\$ 18,457	\$ 3,731	\$ 1,455	\$ 739
-	199	652	6	62	46
-	405	1,240	21	47,826	100
-	-	-	-	-	-
-	-	-	-	-	-
-	7,437	20,349	3,758	49,343	885
-	121,170	-	-	-	-
-	121,170	-	-	-	-
-	193,300	325,163	265	129,619	1,740
-	-	-	-	-	-
-	-	-	-	-	-
-	193,300	325,163	265	129,619	1,740
<u>\$ -</u>	<u>\$ 321,907</u>	<u>\$ 345,512</u>	<u>\$ 4,023</u>	<u>\$ 178,962</u>	<u>\$ 2,625</u>

Continued

**City of Lemon Grove  
Combining Balance Sheet  
Non-major Governmental Funds - Continued  
June 30, 2018**

	Special Revenue		Capital Projects	
	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Street Construction	Sidewalk Reserve
<b>ASSETS</b>				
Cash and Investments	\$ 252,057	\$ 32,204	\$ 131,728	\$ 23,426
Accounts Receivable	15,752	960	573	83
Prepays	-	-	-	-
<b>Total Assets</b>	<b>\$ 267,809</b>	<b>\$ 33,164</b>	<b>\$ 132,301</b>	<b>\$ 23,509</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	24	-	-
Deposits	-	37	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>61</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Grants Receivable	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE (DEFICITS)</b>				
Restricted	267,809	33,103	132,301	23,509
Committed	-	-	-	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>267,809</b>	<b>33,103</b>	<b>132,301</b>	<b>23,509</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>	<b>\$ 267,809</b>	<b>\$ 33,164</b>	<b>\$ 132,301</b>	<b>\$ 23,509</b>

Capital Projects			Total
Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Non-major Governmental Funds
\$ 6,199	\$ 58,225	\$ 572,153	\$ 2,013,682
20	-	2,047	205,591
-	-	-	3,583
<u>\$ 6,219</u>	<u>\$ 58,225</u>	<u>\$ 574,200</u>	<u>\$ 2,222,856</u>
\$ 191	\$ 900	\$ -	\$ 35,756
-	-	-	12,251
-	-	-	49,629
-	-	-	-
-	-	-	-
<u>191</u>	<u>900</u>	<u>-</u>	<u>97,636</u>
-	-	-	121,170
-	-	-	121,170
6,028	57,325	574,200	2,004,050
-	-	-	-
-	-	-	-
<u>6,028</u>	<u>57,325</u>	<u>574,200</u>	<u>2,004,050</u>
<u>\$ 6,219</u>	<u>\$ 58,225</u>	<u>\$ 574,200</u>	<u>\$ 2,222,856</u>

**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**Year Ended June 30, 2018**

	Special Revenue			
	Gas Tax	Parkland Dedication	Supplemental Law Enforcement Service	Sundry Grants
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	734,772	-	139,416	53,651
Charges for Services	-	17,451	-	-
Use of Money and Property	350	914	-	489
Other	-	-	-	-
<b>Total Revenues</b>	<b>735,122</b>	<b>18,365</b>	<b>139,416</b>	<b>54,140</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	30,736
Public Works	584,189	-	-	-
Community Development	-	-	-	31,794
Capital Outlay	153,000	39,249	-	-
<b>Total Expenditures</b>	<b>737,189</b>	<b>39,249</b>	<b>-</b>	<b>62,530</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,067)	(20,884)	139,416	(8,390)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	100,000	-	-	-
Transfers Out	(22,250)	-	(114,600)	-
<b>Total Other Financing Sources (Uses)</b>	<b>77,750</b>	<b>-</b>	<b>(114,600)</b>	<b>-</b>
Net Change in Fund Balances	75,683	(20,884)	24,816	(8,390)
Fund Balances, Beginning of Year	(21,785)	86,600	43,899	79,749
Fund Balances, End of Year	<u>\$ 53,898</u>	<u>\$ 65,716</u>	<u>\$ 68,715</u>	<u>\$ 71,359</u>

Special Revenue

CDBG	TDA	Lighting District	Storm Water	Household Hazardous Waste	Wild Flower Assessment
\$ -	\$ -	\$ 286,045	\$ -	\$ 24,540	\$ 9,758
-	345,171	-	-	-	-
-	-	-	64,433	-	-
-	662	5,237	-	1,870	26
-	-	-	-	8,500	-
-	345,833	291,282	64,433	34,910	9,784
-	-	-	-	36,300	-
-	-	-	-	-	-
-	28,844	328,430	145,259	-	-
-	-	-	-	-	12,381
-	78,957	-	-	-	-
-	107,801	328,430	145,259	36,300	12,381
-	238,032	(37,148)	(80,826)	(1,390)	(2,597)
-	-	-	87,393	-	-
-	(13,050)	(13,072)	-	(1,200)	(100)
-	(13,050)	(13,072)	87,393	(1,200)	(100)
-	224,982	(50,220)	6,567	(2,590)	(2,697)
-	(31,682)	375,383	(6,302)	132,209	4,437
\$ -	\$ 193,300	\$ 325,163	\$ 265	\$ 129,619	\$ 1,740

Continued

**City of Lemon Grove**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**Year Ended June 30, 2018**

	Special Revenue		Capital Projects	
	PEG (Public/ Education/ Government)	Serious Traffic Offender Program	Street Construction	Sidewalk Reserve
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Charges for Services	60,539	-	-	-
Use of Money and Property	2,548	333	1,701	248
Other	-	5,200	-	-
	<u>-</u>	<u>5,200</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>63,087</u>	<u>5,533</u>	<u>1,701</u>	<u>248</u>
<b>EXPENDITURES</b>				
Current:				
General Government	38,663	-	-	-
Public Safety	-	2,925	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>38,663</u>	<u>2,925</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,424</u>	<u>2,608</u>	<u>1,701</u>	<u>248</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	(28,630)	-
	<u>-</u>	<u>-</u>	<u>(28,630)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(28,630)</u>	<u>-</u>
Net Change in Fund Balances	24,424	2,608	(26,929)	248
Fund Balances, Beginning of Year	<u>243,385</u>	<u>30,495</u>	<u>159,230</u>	<u>23,261</u>
Fund Balances, End of Year	<u>\$ 267,809</u>	<u>\$ 33,103</u>	<u>\$ 132,301</u>	<u>\$ 23,509</u>

Capital Projects			
Main Street Promenade CFD	Safety Capital Purchases	Transportation Mitigation	Total Non-major Governmental Funds
\$ 11,749	\$ -	\$ -	\$ 332,092
-	7,200	-	1,280,210
-	-	50,485	192,908
16	-	5,909	20,303
-	-	-	13,700
<u>11,765</u>	<u>7,200</u>	<u>56,394</u>	<u>1,839,213</u>
-	-	-	74,963
4,322	-	-	37,983
-	38,985	-	1,125,707
-	-	-	44,175
-	90,890	-	362,096
<u>4,322</u>	<u>129,875</u>	<u>-</u>	<u>1,644,924</u>
<u>7,443</u>	<u>(122,675)</u>	<u>56,394</u>	<u>194,289</u>
-	-	-	187,393
-	-	-	(192,902)
-	-	-	(5,509)
7,443	(122,675)	56,394	188,780
(1,415)	180,000	517,806	1,815,270
<u>\$ 6,028</u>	<u>\$ 57,325</u>	<u>\$ 574,200</u>	<u>\$ 2,004,050</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Gas Tax Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 748,800	\$ 734,772	\$ (14,028)
Use of Money and Property	-	350	350
Other	-	-	-
	<u>748,800</u>	<u>735,122</u>	<u>(13,678)</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	677,400	584,189	93,211
Capital Outlay	-	153,000	(153,000)
	<u>677,400</u>	<u>737,189</u>	<u>(59,789)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>71,400</u>	<u>(2,067)</u>	<u>(73,467)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	100,000	100,000	-
Transfers Out	(100,000)	(22,250)	77,750
	<u>-</u>	<u>77,750</u>	<u>77,750</u>
Net Change in Fund Balances	71,400	75,683	4,283
Fund Balance, Beginning of Year	<u>(21,785)</u>	<u>(21,785)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 49,615</u>	<u>\$ 53,898</u>	<u>\$ 4,283</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Parkland Dedication**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 10,000	\$ 17,451	\$ 7,451
Use of Money and Property	-	914	914
Total Revenues	<u>10,000</u>	<u>18,365</u>	<u>8,365</u>
<b>EXPENDITURES</b>			
Capital Outlay	<u>86,500</u>	<u>39,249</u>	<u>47,251</u>
Total Expenditures	<u>86,500</u>	<u>39,249</u>	<u>47,251</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(76,500)</u>	<u>(20,884)</u>	<u>55,616</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(76,500)	(20,884)	55,616
Fund Balance, Beginning of Year	<u>86,600</u>	<u>86,600</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 10,100</u></u>	<u><u>\$ 65,716</u></u>	<u><u>\$ 55,616</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Supplemental Law Enforcement Services Special Revenue**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 100,000	\$ 139,416	\$ 39,416
Total Revenues	100,000	139,416	39,416
<b>EXPENDITURES</b>			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	100,000	139,416	39,416
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(114,600)	(114,600)	-
Total Other Financing Sources (Uses)	(114,600)	(114,600)	-
Net Change in Fund Balances	(14,600)	24,816	39,416
Fund Balance, Beginning of Year	43,899	43,899	-
Fund Balance, End of Year	\$ 29,299	\$ 68,715	\$ 39,416

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Sundry Grants Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 50,730	\$ 53,651	\$ 2,921
Use of Money and Property	-	489	489
<b>Total Revenues</b>	<b>50,730</b>	<b>54,140</b>	<b>3,410</b>
<b>EXPENDITURES</b>			
Current:			
Public Safety	30,730	30,736	6
Community Development	45,550	31,794	(13,756)
<b>Total Expenditures</b>	<b>76,280</b>	<b>62,530</b>	<b>13,750</b>
Excess (Deficiency) of Revenues over Expenditures	(25,550)	(8,390)	17,160
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(25,550)	(8,390)	17,160
Fund Balance, Beginning of Year	79,749	79,749	-
Fund Balance, End of Year	<u>\$ 54,199</u>	<u>\$ 71,359</u>	<u>\$ 17,160</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - CDBG Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<b>EXPENDITURES</b>			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - TDA Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 121,200	\$ 345,171	\$ 223,971
Use of Money and Property	100	662	562
Other	237,400	-	(237,400)
<b>Total Revenues</b>	<b>358,700</b>	<b>345,833</b>	<b>(12,867)</b>
<b>EXPENDITURES</b>			
Current:			
Public Works	82,160	28,844	53,316
Capital Outlay	290,100	78,957	211,143
<b>Total Expenditures</b>	<b>372,260</b>	<b>107,801</b>	<b>264,459</b>
Excess (Deficiency) of Revenues over Expenditures	(13,560)	238,032	251,592
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(17,400)	(13,050)	4,350
<b>Total Other Financing Sources (Uses)</b>	<b>(17,400)</b>	<b>(13,050)</b>	<b>4,350</b>
Net Change in Fund Balances	(30,960)	224,982	255,942
Fund Balance, Beginning of Year	(31,682)	(31,682)	-
Fund Balance, End of Year	<u>\$ (62,642)</u>	<u>\$ 193,300</u>	<u>\$ 255,942</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Lighting District Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 252,800	\$ 286,045	\$ 33,245
Use of Money and Property	900	5,237	4,337
Total Revenues	<u>253,700</u>	<u>291,282</u>	<u>37,582</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	<u>318,000</u>	<u>328,430</u>	<u>(10,430)</u>
Total Expenditures	<u>318,000</u>	<u>328,430</u>	<u>(10,430)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(64,300)</u>	<u>(37,148)</u>	<u>27,152</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>(14,300)</u>	<u>(13,072)</u>	<u>1,228</u>
Total Other Financing Sources (Uses)	<u>(14,300)</u>	<u>(13,072)</u>	<u>1,228</u>
Net Change in Fund Balances	(78,600)	(50,220)	28,380
Fund Balance, Beginning of Year	<u>375,383</u>	<u>375,383</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 296,783</u>	<u>\$ 325,163</u>	<u>\$ 28,380</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Storm Water Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 57,000	\$ 64,433	\$ 7,433
Total Revenues	57,000	64,433	7,433
<b>EXPENDITURES</b>			
Current:			
Public Works	211,030	145,259	65,771
Total Expenditures	211,030	145,259	65,771
Excess (Deficiency) of Revenues over Expenditures	(154,030)	(80,826)	73,204
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	154,030	87,393	(66,637)
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	154,030	87,393	(66,637)
Net Change in Fund Balances	-	6,567	6,567
Fund Balance, Beginning of Year	(6,302)	(6,302)	-
Fund Balance, End of Year	\$ (6,302)	\$ 265	\$ 6,567

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Household Hazardous Waste Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 23,000	\$ 24,540	\$ 1,540
Use of Money and Property	800	1,870	1,070
Other	-	8,500	8,500
	<u>23,800</u>	<u>34,910</u>	<u>11,110</u>
<b>EXPENDITURES</b>			
Current:			
General Government	43,180	36,300	6,880
	<u>43,180</u>	<u>36,300</u>	<u>6,880</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(19,380)</u>	<u>(1,390)</u>	<u>17,990</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(1,200)	(1,200)	-
	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net Change in Fund Balances	(20,580)	(2,590)	17,990
Fund Balance, Beginning of Year	<u>132,209</u>	<u>132,209</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 111,629</u></u>	<u><u>\$ 129,619</u></u>	<u><u>\$ 17,990</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Wildflower Assessment Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 9,650	\$ 9,758	\$ 108
Use of Money and Property	-	26	26
Total Revenues	<u>9,650</u>	<u>9,784</u>	<u>134</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	<u>7,240</u>	<u>12,381</u>	<u>(5,141)</u>
Total Expenditures	<u>7,240</u>	<u>12,381</u>	<u>(5,141)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,410</u>	<u>(2,597)</u>	<u>(5,007)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>(100)</u>	<u>(100)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(100)</u>	<u>(100)</u>	<u>-</u>
Net Change in Fund Balances	2,310	(2,697)	(5,007)
Fund Balance, Beginning of Year	<u>4,437</u>	<u>4,437</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 6,747</u></u>	<u><u>\$ 1,740</u></u>	<u><u>\$ (5,007)</u></u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - PEG Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 60,000	\$ 60,539	\$ 539
Use of Money and Property	500	2,548	2,048
Total Revenues	<u>60,500</u>	<u>63,087</u>	<u>2,587</u>
<b>EXPENDITURES</b>			
Current:			
General Government	<u>37,000</u>	<u>38,663</u>	<u>(1,663)</u>
Total Expenditures	<u>37,000</u>	<u>38,663</u>	<u>(1,663)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,500</u>	<u>24,424</u>	<u>924</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	23,500	24,424	924
Fund Balance, Beginning of Year	<u>243,385</u>	<u>243,385</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 266,885</u>	<u>\$ 267,809</u>	<u>\$ 924</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Serious Traffic Offender Special Revenue Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Use of Money and Property	\$ 100	\$ 333	\$ 233
Other	7,000	5,200	(1,800)
Total Revenues	<u>7,100</u>	<u>5,533</u>	<u>(1,567)</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	2,550	2,925	(375)
Total Expenditures	<u>2,550</u>	<u>2,925</u>	<u>(375)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,550</u>	<u>2,608</u>	<u>(1,942)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,550	2,608	(1,942)
Fund Balance, Beginning of Year	<u>30,495</u>	<u>30,495</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 35,045</u>	<u>\$ 33,103</u>	<u>\$ (1,942)</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Street Construction Capital Projects Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Use of Money and Property	\$ 400	\$ 1,701	\$ 1,301
Total Revenues	400	1,701	1,301
<b>EXPENDITURES</b>			
Capital Outlay	159,000	-	159,000
Total Expenditures	159,000	-	159,000
Excess (Deficiency) of Revenues over Expenditures	(158,600)	1,701	160,301
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	(28,630)	(28,630)
Total Other Financing Sources (Uses)	-	(28,630)	(28,630)
Net Change in Fund Balances	(158,600)	(26,929)	131,671
Fund Balance, Beginning of Year	159,230	159,230	-
Fund Balance, End of Year	\$ 630	\$ 132,301	\$ 131,671

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Sidewalk Reserve Capital Projects Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Use of Money and Property	\$ 100	\$ 248	\$ 148
Total Revenues	100	248	148
<b>EXPENDITURES</b>			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	100	248	148
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	100	248	148
Fund Balance, Beginning of Year	23,261	23,261	-
Fund Balance, End of Year	<u>\$ 23,361</u>	<u>\$ 23,509</u>	<u>\$ 148</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Main Street Promenade Community Facilities District**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 8,700	\$ 11,749	\$ 3,049
Use of Money and Property	-	16	16
Total Revenues	<u>8,700</u>	<u>11,765</u>	<u>3,065</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	<u>14,000</u>	<u>4,322</u>	<u>9,678</u>
Total Expenditures	<u>14,000</u>	<u>4,322</u>	<u>9,678</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,300)</u>	<u>7,443</u>	<u>12,743</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,300)	7,443	12,743
Fund Balance, Beginning of Year	<u>(1,415)</u>	<u>(1,415)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (6,715)</u>	<u>\$ 6,028</u>	<u>\$ 12,743</u>

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Safety Capital Purchases Capital Projects Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental Revenues	\$ -	\$ 7,200	\$ 7,200
Total Revenues	-	7,200	7,200
<b>EXPENDITURES</b>			
Public Works	-	38,985	
Capital Outlay	180,000	90,890	89,110
Total Expenditures	180,000	129,875	50,125
Excess (Deficiency) of Revenues over Expenditures	(180,000)	(122,675)	57,325
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(180,000)	(122,675)	57,325
Fund Balance, Beginning of Year	180,000	180,000	-
Fund Balance, End of Year	\$ -	\$ 57,325	\$ 57,325

**City of Lemon Grove**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Transportation Mitigation Capital Project Fund**  
**Year Ended June 30, 2018**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 50,000	\$ 50,485	\$ 485
Use of Money and Property	-	5,909	5,909
Total Revenues	<u>50,000</u>	<u>56,394</u>	<u>6,394</u>
<b>EXPENDITURES</b>			
Capital Outlay	<u>516,700</u>	-	<u>516,700</u>
Total Expenditures	<u>516,700</u>	-	<u>516,700</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(466,700)</u>	<u>56,394</u>	<u>523,094</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(466,700)	56,394	523,094
Fund Balance, Beginning of Year	<u>517,806</u>	<u>517,806</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 51,106</u>	<u>\$ 574,200</u>	<u>\$ 523,094</u>



**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES  
APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

City Council  
City of Lemon Grove  
Lemon Grove, California

We have performed procedures enumerated below to be the accompanying Appropriations Limit worksheet of the City of Lemon Grove, for the year ended June 30, 2018. These procedures, which were agreed to by the City of Lemon Grove and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the City Council.

Finding: Although the City calculated the appropriations limit correctly in their worksheets, the amount actually adopted by the City Council was understated by approximately \$12,000. The City's management has indicated the adjustment to correct this issue will be made in the subsequent year's Appropriations Limit.

2. For the accompanying Appropriations Limit worksheet, we added last year's limit to total adjustments and agreed the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of our procedures, except as noted above.

3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures, except as noted above.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: In prior year, the appropriations limit amount was understated by approximately \$268,000. The City revised the beginning balance (prior year's Appropriations Limit) in the current year's calculation.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled *Article XIII B of the California Constitution*.

This report is intended solely for the use of the City Council and management of the City of Lemon Grove and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



December 20, 2018

**CITY OF LEMON GROVE**  
**APPROPRIATIONS LIMIT COMPUTATION**  
2017 – 2018

	2017-2018
Change in Per Capita Personal Income	3.69%
Population Change	
City Population Growth	0.76%
A. Change in Per Capita Personal Income Converted to a Ratio	1.0369
B. Population Growth Converted to a Ratio	1.0076
Calculation of Growth Factor (A x B)	1.0448
2016 - 2017 Appropriations Limit	<u>\$ 45,865,648</u>
2017 - 2018 Appropriations Limit (\$45,865,648 X 1.0448)	<u>\$ 47,920,429</u>

December 20, 2018

City Council  
City of Lemon Grove  
Lemon Grove, CA

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemon Grove for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year, except for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimates for the net pension and net OPEB liabilities are based on actuarial information provided by the California Public Employee Retirement System's (CalPERS) actuarial office, and other sources. We evaluated the key factors and assumptions to develop these liabilities in determining that the estimated liabilities are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

The disclosure of the fair value of investments in Note 2 to the financial statements represents amounts susceptible to market fluctuation.

The disclosures in Note 4 regarding an allowance for doubtful accounts established for the amounts owed to the City by the Successor Agency, is based on management's current estimates.

The disclosure of accumulated depreciation in Note 5 to the financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosures for the net pension and net OPEB liabilities in Notes 6, 7 and 8 to the financial statements are based on assumptions for discount rates, etc., which could differ from actual experience. The notes disclose the differences in these liabilities if different assumptions are used in estimating these liabilities.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 20, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### *New Accounting Pronouncements*

As described in the notes to the financial statements, GASB has issued various new accounting pronouncements which may significantly affect the City's financial reporting in the future.

Restrictions on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Van Lant + Fankhanel, LLP*

**Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

City Council  
City of Lemon Grove  
Lemon Grove, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Lemon Grove (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in item 2018-1, 2018-5 and 2018-6 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-2, 2018-3 and 2018-4 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Lemon Grove's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 20, 2018

**CITY OF LEMON GROVE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

***2018-1 Segregation of Incompatible Duties***

*Condition:*

This finding is carried forward from our prior year report dated April 10, 2018. Our audit procedures included a review and evaluation of the City's business license function, including the billing and collection of business license fees. Based on our procedures, we noted that the cash receipts clerk at City Hall is responsible for administering the business license program. This includes the billing and collection functions, and maintaining the business license database.

*Criteria:*

In a strong internal control environment, the billing and collection functions should be segregated. The individual responsible for administering the business license function should not also be handling incoming payments. If this is not practical, personnel independent of the business license function should periodically reconcile the information in the business license software with the revenue recorded in the general ledger and also the bank deposits.

*Cause of Condition:*

Incompatible duties performed by the same individual creates opportunity for business license revenues to be received but not recorded in the City's general ledger.

*Potential Effect of Condition:*

Lack of internal controls in the City's business license function could result in payments being collected that are not ultimately recorded in the City's general ledger and deposited into the City's bank accounts.

*Recommendation:*

We recommend the City evaluate the business license function to determine if the collection function could be segregated from the administration/billing function. At a minimum, City management should establish procedures for independent personnel to reconcile the business license activity to the revenue in the general ledger and bank deposits.

*Management's Response:*

The City agrees that in a strong internal control environment, billing and collection functions should be segregated. The City's Finance Department has limited staff and complete segregation of duties is not always achievable. The City will institute several mitigating controls (for example: tasking the Accounting Analyst the responsibility of matching the business license reports with bank deposits on a monthly basis) to reduce the risks of fraud and errors that can occur with weak internal controls.

**CITY OF LEMON GROVE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

***2018-2 Old Outstanding Checks***

*Condition:*

This finding is carried forward from our prior year report dated April 10, 2018. Our review of various bank account reconciliations indicated that the City was reporting several old outstanding (uncleared) checks each month. Some of these checks were issued in 2010, which does not appear to be in compliance with the City's established procedures. It should be noted that the City's current management has been taking steps to address this issue.

*Criteria:*

The City's "Financial Policy and Procedures Manual" includes a section regarding bank account reconciliations. This includes a section providing guidance on stale dated checks identified during the bank reconciliation process. It describes in detail the procedures to be performed for old outstanding checks.

*Cause of Condition:*

Established procedures regarding stale dated checks may have been overlooked due to the lack of consistency in the Finance Department's management function (employee turnover).

*Potential Effect of Condition:*

The City has recorded decreases to cash along with the related expenditures, for checks issued many years ago, which have not cleared the bank account. This can potentially result in cash (and fund balance) being understated, and the opportunity for the old outstanding checks to be misappropriated.

*Recommendation:*

We recommend the City continue in its efforts to address this issue and establish procedures to ensure compliance with the Financial Policy and Procedures Manual.

*Management's Response:*

City staff followed established procedures in the Financial Policy and Procedures Manual regarding stale dated checks by publishing public notice in the newspaper of record on July 26, 2018 and August 2, 2018 for outstanding checks over three years old. Forty-five days after the initial public notice, stale dated checks that were not claimed were credited to the funds they were original drawn from. Moving forward, the City is dedicated to following the procedure to clear stale dated checks at least once per fiscal year.

**CITY OF LEMON GROVE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

***2018-3 Manual Cash Receipts***

*Condition:*

The majority of the City's incoming revenues/receipts are initially entered in the cash receipt module of the City's Finance software. However, the City occasionally utilizes manual cash receipt forms (multipart) as necessary, e.g. if the Finance software is temporarily down. Although the manual receipt forms are numbered, our audit procedures indicated that the manual receipt forms were not always used in numerical order, and that the copies of the receipts issued were not necessarily reconciled to the amounts eventually recorded in the Finance software.

*Criteria:*

While the issuance of manual receipts may be necessary at times, it is important to maintain numerical control over these forms, to ensure that all incoming revenue is ultimately recorded in the general ledger and included in the bank deposits. An individual independent of the cash receipt process should maintain custody of unused cash receipt forms, and should also maintain a log of the receipt books issued.

*Cause of Condition:*

This condition may be a result of inconsistency in Finance management positions in previous fiscal years, resulting in a general lack of oversight. It is unclear why the manual receipt forms are sometimes issued out of order.

*Potential Effect of Condition:*

Receipt forms could be issued without the incoming revenues/receipts being posted in the City's general ledger or included in the bank deposits.

*Recommendation:*

We recommend the City evaluate the use of the manual cash receipt forms to determine if controls could be strengthened in this area, including establishing a custodian of the unused forms.

*Management's Response:*

The City will establish a custodian of unused manual cash receipt forms and will reconcile manual receipt forms used to amounts recorded in the Finance software.

**CITY OF LEMON GROVE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2018**

***2018-4 Travel Expenses/City Credit Cards***

*Condition:*

As noted in our prior year report regarding travel expenses, our audit procedures indicated that required travel authorization forms were not always included in the supporting documentation for certain travel expenses paid by the City's credit cards. Due to the timing of our audits, current City management was not able to fully resolve this issue for the 2017-18 fiscal year, but has been taking steps to address this finding for future fiscal years.

*Criteria:*

The City has established policies regarding the use of City credit cards and travel expenses. This includes the utilization of a "Travel Authorization/Expense Report."

*Cause of Condition:*

The City experienced turnover and vacancies in certain key positions in previous fiscal years, which may have contributed to this situation. Current management has been taking steps to address this issue.

*Potential Effect of Condition:*

The City's travel expenses and other payments by credit card may not be adequately reviewed and approved. The condition described above could result in a lack of transparency for some of the City's disbursements/expenditures.

*Recommendation:*

We recommend the City continue in its efforts to ensure that all travel costs and credit card payments are properly reviewed, approved and documented, in accordance with established policy.

*Management's Response:*

In summer 2018 the City's travel form was updated to conform to the City's travel policy. Staff is required to complete the "Travel Authorization/Expense Report" in compliance with the City's Financial Policy and Procedure Manual. All City travel costs and credit card payments will be reviewed, approved and documented, in accordance with the established policy.

**CITY OF LEMON GROVE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

***2018-5 Allocation of Overhead to Restricted Funds***

*Condition:*

This finding is carried forward from our prior year report dated April 10, 2018. Based on our testing of costs charged to funds with restricted revenue, it appears the City is charging both direct salaries and indirect overhead costs to certain funds. Various percentages are used to allocate the salaries of certain positions, including Finance and Human Resources personnel. However, the City's staff was not able to provide us with documentation in support of these allocation methods. For example, we were not able to find a cost allocation study which would provide evidence that these allocations are reasonable.

*Criteria:*

The State Controller's Office has established "Guidelines Relating to Gas Tax Expenditures" to be used by Cities and Counties. Section 440 regarding Overhead indicates, "Overhead will only be allowed via an approved cost allocation plan or an equitable and auditable distribution of overhead to all departments." Other restricted moneys received by the City have similar requirements. For the sake of transparency, the City should ensure that all costs charged to restricted funds are adequately documented. This documentation should include evidence that overhead costs are equitable and reasonable, in relation to all costs incurred by the City.

*Cause of Condition:*

The City was not able to provide us with a formal cost allocation plan in support of the costs mentioned above.

*Potential Effect of Condition:*

Unallowable costs could be charged to restricted funds, including the Gas Tax Fund. In addition, the City might not be allocating allowable costs to restricted funds, resulting in higher expenditures of discretionary money, including expenditures in the General Fund.

*Recommendation:*

Based on discussions with City staff, it appears the City has taken steps to contract with a consultant to perform a salary distribution study. We recommend the City continue in these efforts to ensure all overhead costs are properly documented.

*Management's Response:*

The City is continuing its efforts to ensure all overhead costs are properly documented. The City agrees that a formal overhead cost allocation plan is necessary. To accomplish that goal, in fiscal year 2018-2019 a RFP was issued to find a consultant to perform an overhead cost allocation plan. After receiving three bids, City Council awarded the cost allocation plan project to a firm that will begin work onsite in January 2019.

**CITY OF LEMON GROVE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

***2018-6 Building/Planning/Engineering Fees and Deposits, Master Fee Schedule***

*Condition:*

Based on audit procedures performed for the 2017-18 audit, we noted certain conditions indicating a lack of oversight and internal control in the Developments Services Department. Specifically, while testing Building Permit fees, we found various fees charged which did not agree with the City's "Master Fee Schedule." We also noted that when permits were issued, they were not necessarily marked as closed/finalized in the system.

We tested certain grading and engineering fees collected during the 2017-18 fiscal year, and noted that the amounts charged did not agree to the latest Master Fee Schedule. Based on our testing and inquiry, it appeared the City's software had not been updated for the most recent changes to the Master Fee Schedule.

We also noted that incoming planning deposits were being posted to revenue accounts in the City's general ledger, with the revenue being backed out when the deposits were returned, or paid out.

It should be noted that we brought up these issues to current City management while performing fieldwork, and they immediately took steps to address the situation.

*Criteria:*

It is important for the City to maintain strong internal controls over the collection of fees and deposits in the Building and Planning Departments. Controls should be established to ensure all applicable fees assessed and collected are in accordance with the approved rates, and that all incoming deposits are properly recorded as liabilities in the general ledger.

*Cause of Condition:*

The City experienced turnover and vacancies in certain key positions in previous fiscal years, which may have contributed to the lack of oversight in this area. Current management has been taking steps to address this issue.

*Potential Effect of Condition:*

Fees and deposits collected might not be accurate without effective oversight of this function. Recording deposits in revenues accounts may cause difficulties in tracking the deposits since revenue accounts are closed out each fiscal year.

*Recommendation:*

We recommend that the City's management continue in its efforts to evaluate the activity in the applicable departments, and establish and maintain strong controls and oversight over these functions.

**CITY OF LEMON GROVE  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2018**

***2018-6 Building/Planning/Engineering Fees and Deposits, Master Fee Schedule - Continued***

*Management's Response:*

Strong internal controls over the collection of fees and deposits in the Planning and Building Department are essential for transparency and public trust. As stated in the Cause of Condition section, turnover and vacancies in Development Services Department positions contributed to a lack of oversight. When this issue was brought to the attention of staff by the auditors, the software used to calculate the building and planning fees was immediately updated to match the City Council adopted Master Fee Schedule. In addition, the planning deposits were immediately set-up in a deposit account, a transfer from the revenue account to the deposit account was posted, and the fiscal year 2017-2018 planning deposit activity was reconciled. City staff is continuing to work backward to reconcile past years of planning deposit activity, so that the planning deposit account will reflect the true liability of deposits being held by the City.



# CITY OF LEMON GROVE

## CITY COUNCIL STAFF REPORT

Item No. 4

Meeting Date: January 15, 2019

Submitted to: Honorable Mayor and Members of the City Council

Department: **City Manager's Office**

Staff Contact: Kristen Steinke, City Attorney

Item Title: Ordinance No. 450 Amending Section 17.28.020 (Application Procedures) of the Lemon Grove Municipal Code to Create a New Process to Allow for Early Separation Findings for Land Uses with Separation Requirements

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Recommended Action: Conduct second reading, by title only, and adopt Ordinance No. 450 (Attachment A) Amending Section 17.28.020 (Application Procedures) of the Lemon Grove Municipal Code to Create a New Process to Allow for Early Separation Findings for Land Uses with Separation Requirements.

### Summary:

The introduction and first reading of the above-entitled Ordinance was approved at a Regular City Council Meeting on December 18, 2018. All Councilmembers were present except Councilmember Arambula. There were no public speakers.

The Ordinance is now presented for second reading and adoption by title only.

Vote at first reading: AYES: Vasquez, Jones, J. Mendoza, M. Mendoza  
ABSTAINED: None.  
ABSENT: Arambula  
DISQUALIFIED: None.

### Environmental Review:

- Not subject to review  Negative Declaration  
 Categorical Exemption, Section [       ]  Mitigated Negative Declaration

### Fiscal Impact:

None.

Public Notification: Notice published in November 15, and December 6, 2018 and editions of the East County Californian.

### Attachment:

Attachment A – Ordinance No. 450

ORDINANCE NO. 2018-450

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMON GROVE,  
CALIFORNIA, AMENDING SECTION 17.28.020 (APPLICATION  
PROCEDURES) OF THE LEMON GROVE MUNICIPAL CODE TO CREATE A  
NEW PROCESS TO ALLOW FOR EARLY SEPARATION FINDINGS FOR LAND  
USES WITH SEPARATION REQUIREMENTS

*WHEREAS*, an applicant seeking to establish a land use subject to separation findings must wait until the final decision is made by the Development Services Director, Planning Commission, or City Council to ensure a separation finding can be made; and

*WHEREAS*, providing a new process through the use of a Minor Use Permit (MUP), for making an early separation finding prior to an applicant preparing costly plans and reports would streamline the approval process and would not restrict an applicant from obtaining a permit at the time of project approval; and

*WHEREAS*, should conflicting land uses or land use applications occur that affect the granting of the early separation finding permit, the order of the application dictates the decision, such that whichever land use, land use application or early separation finding application occurs first is given the first consideration; and

*WHEREAS*, noticing procedures would be enhanced to ensure the distribution of a public notices would match the separation distance for each application, and add a requirement for a sign to be posted on the subject property announcing the time and location of the public hearing; and

*WHEREAS*, on November 26, 2018, the Planning Commission held a duly noticed Public Hearing to consider Zoning Amendment ZA1-800-002 and resolved to recommend City Council approval; and

*WHEREAS*, this action is not subject to Environmental Review under the Environmental Quality Act (CEQA) because it does not constitute a project as defined by Section 15378 of the CEQA Guidelines; and

*WHEREAS*, on December 18, 2018, a public hearing was duly noticed and held by the Lemon Grove City Council; and

*WHEREAS*, the City Council finds that the following findings required to approve a Zoning Amendment can be made in accordance with Section 17.28.080(B) of the Municipal Code:

1. That the proposed amendment is consistent with the General Plan, in accordance with Government Code Section 65860, as amended.
  - The proposed zoning change is procedural and is consistent with the General Plan.
2. That the public health, safety, and general welfare benefit from the adoption of the proposed amendment.
  - Adopting a new process to allow for early separation findings saves applicants time and money, and improving public noticing for certain discretionary actions enhances community outreach, which provides a benefit to **the public health, safety and general welfare for the City's** residents and business owners; and

*NOW, THEREFORE, BE IT RESOLVED* that the City Council of the City of Lemon Grove, California, does ordain as follows:

- Section 1. The foregoing recitals are true and correct.
- Section 2. Amendments to Chapter 17.28.020 Application Procedures of the Lemon Grove Municipal Code to Create a New Process to Allow for Early Separation Findings for Land Uses with Separation Requirements are hereby added to the City of Lemon Grove Municipal Code to read as shown in Exhibit A.
- Section 3. This Ordinance shall be effective thirty (30) days following its adoption. Within fifteen (15) days following its adoption, the City Clerk shall publish the title thereof, as a summary as required by state law.

*INTRODUCED* by the City Council on December 18, 2018.

*PASSED AND ADOPTED* by the City Council of the City of Lemon Grove, State of California, on January 15, 2019 by the following vote:

*AYES:*

*NOES:*

*ABSENT:*

*ABSTAIN:*

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*Racquel Vasquez, Mayor*

*Attest:*

---

*Shelley Chapel, MMC, City Clerk*

*Approved as to Form:*

---

*Kristen Steinke, City Attorney*

## EXHIBIT A

### TEXT OF PROPOSED REGULATIONS

#### NOTE:

- Text proposed to be added is displayed in underlined type.
- Text proposed to be deleted is displayed in ~~strikeout~~ type.

The City of Lemon Grove Municipal Code to amend Application Procedures, Section 17.28.020, to read as follows:

#### **17.28.020 Application Procedures.**

A. Purpose. This section establishes procedures for submitting and processing applications for proposed uses, structures, and/or improvements of real property, and related matters subject to this title; authorize the city to establish, modify, and collect fees, and set time limits for processing.

1. Definitions. Italicized words and terms found in this chapter are defined in Chapter 17.08.

2. Interpretation. In interpreting and applying the provisions of this title, uses, structures, and/or improvements shall be held to be the minimum requirements adopted for the promotion of the public health, safety, and general welfare.

3. Conflicts. Except as specifically provided, this title is not intended to impair or interfere with any previously issued permits or approvals relating to matters subject to this title. This title is not intended to interfere with, abrogate, or annul any easement, covenant, or other

agreement between parties, provided that in cases in which this title imposes a greater restriction than is imposed or required by existing provisions of law or ordinance or by such easements, covenants, or agreements, the provisions of this title shall control.

B. Initiation. A proposed action may be initiated by application of the property owner, owner's agent, or another interested party, by the city council.

C. Pre-Application Conference. Prior to submission of an application package for a complicated or multi-faceted project, an applicant may request an unofficial conference with city staff to review the proposed project. Staff will evaluate the project in light of applicable city regulations, indicate possible concerns, identify required information, and note probable environmental impacts and possible mitigation requirements. Nothing in this conference shall be construed as actual or implied approval of any aspect of the proposed project.

D. Application Submittal. Prior to submitting application packages for permits or other approvals, the applicant shall obtain a zoning clearance according to Section 17.28.070. Thereafter, application packages shall be submitted to the development services department upon a prescribed form, accompanied by applicable fees according to subsection (D)(1), and related materials necessary to show that the proposed use, structures, and/or improvements of the property comply with applicable provisions of this code, state law, federal law and the requirements and conditions of any associated permit. Each application filed by, or on behalf of, one or more property owners shall be verified by at least one such owner or the owner's authorized agent attesting to the truth and correctness of all facts, statements, and information presented.

1. Fees. The city council shall establish and modify, by resolution, a schedule of fees and deposits for matters subject to this title. All applicable fees and deposits shall be paid in full prior to processing any application, appeal, or other matter for which a fee is required.

Applicable fees and/or deposits may be waived for charitable, youth or nonprofit organization activities upon approval by the city manager.

No fee shall be refundable except in any case where the development services director determines and certifies any such fee or portion thereof has been received in error, in which case the amount of money received in error shall be refunded to the proper party. Refunds will be processed in the same manner as other demands against the city.

2. Concurrent Processing. Applicants with more than one application related to the same project may have all applications processed simultaneously.

E. Time Limits.

1. Staff Review. Upon initial submittal, application packages shall be distributed to applicable departments for review. No more than thirty days following the date of initial submittal, application packages shall be deemed complete or incomplete with a request for more information. Once the requested information is received, the thirty day staff review cycle restarts. No action shall be taken on applications not yet deemed complete.

2. Deemed Complete Applications. Once deemed complete, applications then progress, in accordance with specific permit regulations in this title, to notices according to subsection F, to public hearing according to subsection G, then to decisions according to subsection H.

F. Notices. The notice shall state the purpose of the notice, a project description, and an explanation of the permit process, and be given by a date certain to affected parties according to subsections (F)(1), (2) and-(3), as appropriate.

1. Public Hearings. Notices for public hearings shall also state the time, place, and purpose of the public hearing and shall be given by publication at least ten days prior to the public hearing. Notices to affected property owners shall be given at least ten days prior to the public hearing according to subsection (F)(2).

2. Affected Property Owners. The notice shall be mailed to all real property owners within five hundred feet or the maximum distance separation requirement for a regulated use where applicable, whichever is greater, of all exterior boundaries of the subject property at least ten days prior to the decision. Notices shall be mailed using the names and addresses of the owners as shown on the latest equalized assessment roll in the office of the county assessor. Where the address of such owner is not shown on such assessment roll, failure to send notice by mail to such property owner shall not invalidate any proceedings in connection with such action. In the event that the number of owners to whom notice would be sent according to this subsection is greater than one thousand, then notices may, instead, be given by placing a display advertisement of at least one-eighth page in a newspaper having general circulation within the affected area.

In addition, temporary on-site sign(s) along the properties' street frontage(s) and legible from across the street on pedestrian pathways shall be posted on the property at least ten days prior to the public hearing and until certificate of occupancy is granted for the proposed land use, but not to exceed a period of one year. The signs shall be a minimum of six feet high, six feet wide, and not to exceed 72 square feet total for two sides or 36 square feet for one side. Such sign shall include the permit numbers, property location and APN number, a site plan and description of the

project, project name, and the applicant's name, address and telephone number to the satisfaction of the development services director. Signs shall be maintained in good condition at all times.

3. California Environmental Quality Act (CEQA) and State Law. Notices shall be made according to Government Code Sections 65090 through 65091, as amended. Processing time frames will apply unless extended environmental review is required by state law or this code.

G. Public Hearings. A public hearing is the opportunity for the advisory body, the hearing body, or the appellate body to obtain public testimony or comments prior to making a decision. The public hearing shall be conducted in accordance with this chapter and Section 2.14.090 of this code. Public hearings may be continued to another time without requiring further public notice, so long as the future time and place are announced before adjournment of the hearing.

1. Scheduling. Public hearings of the city council shall be subject to the rules regarding the placing of matters on its agenda, respectively. Subject to state planning and environmental laws, public hearings shall not be held earlier than ten or later than sixty days following submission of an appeal application or a deemed complete application according to subsection (E)(2). The time limit specified in this subsection may be extended by mutual consent of the applicant and the development services director; however, in no case shall this time period exceed one hundred eighty days.

2. Notice. Notices of public hearings shall be given according to subsection (F)(1).

3. Outcome. At the close of the public hearing, the advisory body may recommend approval, conditions, limitations, or denial; while the hearing body or the appellate body may make a decision. The hearing body may impose such conditions or limitations as it deems necessary to serve the general purpose and intent of this title. The matter may also be referred back to the lower body for further consideration or action. The appellate body may sustain, modify, deny or reverse, wholly or in part, any decision by a lower body. The decision may also be referred back to the lower body for further consideration or action.

H. Decisions and Effective Date of Decisions. Development services director decisions are made within thirty days of applications being deemed complete. City council and city council decisions are made within twenty days of the close of the public hearing. Decisions shall become effective ten days following the decision date, unless an appeal has been filed according to subsection K.

Unless otherwise stated in the approval or permit, or in the conditions of approval, approvals and permits shall run with the land and shall continue to be valid upon a change of ownership of the site or structure.

1. Conditions of Approval. The development services director, the city council may attach such conditions as deemed necessary to ensure compliance with this code.

2. Response to Referral. Where an application, appeal or other matter is referred to a lower body for further consideration, a response to that referral shall be submitted to the applicant and the referring body within forty days following said referral.

I. Appeals. Any applicant or other interested person who is dissatisfied with the denial, approval, conditional approval, or other application decision made in the administration of this title may appeal the decision. Decisions made by the development services director are appealed to the city council. Decisions made by the city council are final.

Appeal applications, accompanied by the filing fee, shall be filed within ten days following the date a decision is made, on forms provided by the development services department. Appeals of development services director decisions shall be submitted to the city clerk. Appeals will be heard at a public hearing that has been noticed according to subsection F and conducted according to subsection G. Failure of the appellate body to make a decision according to subsection H shall be deemed in agreement with the previous decision.

All rights of appeal are exhausted when the proceedings set forth herein have been completed. An applicant shall not apply for the same or similar use affecting all or part of the property within twelve months of the effective date of the decision of denial, or as otherwise specified at the time of the decision of denial.

J. Expirations. Applications, approvals and permits issued according to this title will expire in accordance with the following:

1. Application Expiration. Unless there has been substantial activity toward submitting a deemed complete application package according to subsection D, such application package shall expire after a continuous twelve-month period of inactivity. Thereafter, the applicant may submit a new application package according to subsection D.

2. Approval and Permit Expiration.

a. Any temporary use permit expires at the conclusion of the permitted use.

b. Other approvals or permits subject to this title shall expire:

i. Twelve months from the effective date of the decision, unless construction and/or use in reliance has commenced or as otherwise stated in the conditions of approval; or

ii. If the use for which it was issued is discontinued for a continuous period of twelve months.

K. Time Extensions. At any time prior to the expiration of approvals or permits subject to this title, the permittee for such approval or permit may file a written request for an extension of time. The development services director may grant an initial extension of the term of the permit. The city council shall consider all subsequent requests for time extensions, according to subsection (F)(2), and if:

1. The form and intensity of the project for which the approval or permit was issued have not been significantly altered, and

2. The conditions or circumstances which supported the findings of fact required for the original approval or permit have not changed and appear unlikely to change within the period of the proposed extension of time.

L. Substantial Conformance Review. Any project submittal made subsequent to obtaining a use permit authorized by this title shall be in substantial conformance with that use permit. At the request of the owner, or in the event that submittals or field conditions are found to not be in conformance, a substantial conformance review application, accompanied by the filing fee, shall be filed and processed according to subsection D. If the project is found to not be in substantial conformance, the applicant may request a modification of the use permit according to subsection M.

M. Permit Modifications. Permit modification applications, accompanied by the filing fee, may be filed at any time prior to the initial expiration date of the project's use permit. Applications shall be processed according to subsection D.

N. Revocation of Approvals and Permits. Any structures and/or improvements constructed, erected, altered, moved, or maintained contrary to a use permit and/or other provisions of this title, and any use of any land or structure established, conducted, or maintained contrary to an approval, permit and/or other provisions of this title, shall be declared to be unlawful and a public nuisance.

1. Procedure. The development services director shall immediately commence action or proceedings for the abatement of a violation of this title, according to Chapter 1.24. If the owner, operator or other responsible entity fails or refuses to abate any public nuisance according to subsection N, the development services director may schedule a public hearing, according to subsection G, to consider the following actions:

a. Requiring whatever assurance deemed appropriate to guarantee that such violation will be corrected in a timely manner and will not occur again;

b. Imposing additional conditions or limitations affecting the physical design of the property or its use;

c. Revoking any approvals or permits subject to this title, according to the appeals provisions of subsection K.

In the event the development services director refers an enforcement matter to the city council, the city attorney shall, upon order of the city council, immediately apply to such courts as may have jurisdiction to grant such relief as will abate and remove such building or structure and restrain and enjoin any person from erecting, maintaining, or using any property contrary to the provisions of this title.

O. Early Separation Findings. Separation findings required as a part of any permit described in this Chapter may be made early, prior to application materials being submitted and prior to a decision by the Development Services Director, Planning Commission and/or City Council with a Minor Use Permit application for the sole purpose of finding that the application meets or does not meet the required separation requirements. Land uses or land use applications initiated after the filing of an early separation finding application would not be grounds for denial of the permit. Should land use changes or land use applications which would conflict with an early separation finding determination be established or filed in advance of an application for an early separation finding, the land use would be considered as grounds for denial of the early separation finding permit.

No other approval may be granted as a part of this permit. Applications made pursuant to this subsection must give additional notice by way of advertisement in a newspaper having general circulation within the affected area at least ten days prior to the decision. This finding that the application meets separation requirements shall be valid for up to one year before the early finding expires.

P. The remedies provided for in this title shall be cumulative and not exclusive. Nothing herein is intended to conflict with applicable state laws or federal laws. (Ord. 434 § 5, 2015; Ord. 386 § 3, 2009)