City Council
Successor Redevelopment Agency
Financing Authority
Housing Authority

AGENDA

Wednesday

Regular

Closed Session 5:30 p.m.
Regular Session 6:00 p.m.

April 17, 2013

City Hall
100 West California Avenue
Ridgecrest CA 93555

(760) 499-5000

Daniel O. Clark, Mayor
Jason Patin, Mayor Pro Tempore
Marshall 'Chip' Holloway, Vice Mayor
James Sanders, Council Member
Lori Acton, Council Member

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AMENDED

LAST ORDINANCE NO. 13-01
LAST RESOLUTION CITY COUNCIL NO. 13-13
LAST RESOLUTION FINANCING AUTHORITY NO. 13-xx
LAST RESOLUTION OF THE HOUSING AUTHORITY NO. 13-xx
LAST RESOLUTION OF THE SUCCESSOR REDEVELOPMENT AGENCY NO. 13-xx

CITY OF RIDGECREST

CITY COUNCIL
REDEVELOPMENT SUCCESSOR AGENCY
HOUSING AUTHORITY
FINANCING AUTHORITY

AGENDA
Regular Council
Wednesday April 17, 2013

CITY COUNCIL CHAMBERS CITY HALL
100 West California Avenue
Ridgecrest, CA 93555

Closed Session – 5:30 p.m.
Regular Session – 6:00 p.m.

This meeting room is wheelchair accessible. Accommodations and access to City meetings for people with other handicaps may be requested of the City Clerk (499-5002) five working days in advance of the meeting.

In compliance with SB 343. City Council Agenda and corresponding writings of open session items are available for public inspection at the following locations:

1. City of Ridgecrest City Hall, 100 W. California Ave., Ridgecrest, CA 93555
2. Kern County Library – Ridgecrest Branch, 131 E. Las Flores Avenue, Ridgecrest, CA 93555
3. City of Ridgecrest official website at http://ci.ridgecrest.ca.us

CALL TO ORDER

ROLL CALL

APPROVAL OF AGENDA

PUBLIC COMMENT – CLOSED SESSION

CLOSED SESSION

GC54956.9 (b) Conference with Legal Counsel – Existing Litigation – City of Ridgecrest v MATASANTOS

GC54956.9 (b) Conference with Legal Counsel – Liability Claim of Eva M. Balfour – Claim No. 13-03

REGULAR SESSION – 6:00 p.m.

- Pledge Of Allegiance
- Invocation

CITY ATTORNEY REPORT

- Closed Session
- Other

PUBLIC COMMENT

PRESENTATIONS

1. **Employee of the Month Award** **Clark**

2. **Presentation Of A Proclamation Celebrating The 35th Anniversary Of National Health Services** **Ford**

3. **Presentation Of A Proclamation To The Indian Wells Valley Masonic Lodge Recognizing Public Schools Month** **Ford**

CONSENT CALENDAR

4. **Approve A Resolution Awarding A Construction Contract For The Safe Routes To School Cycle 9 Project To Cen-Cal And Authorizing The Interim City Manager, To Execute The Contract** **Speer**

5. **Approve A Resolution Authorizing An Agreement With The Consulting Firm Of Willdan Engineering To Provide Construction Management For The City Of Ridgecrest On The Safe Routes To School Cycle 9 Project** **Speer**

5(a). **Approve A Resolution Of The Ridgecrest City Council Approving The Lease Agreement With Waste Management Of California, Inc. And Authorizing The Interim City Manager To Execute The Agreement** **Speer**

6. **Approve A Resolution Authorizing The Mayor To Sign An At-Will Agreement For City Manager Services** **Lemieux**

7. **Approve A Resolution Authorizing A Proclamation For The Department Of Motor Vehicles Donate Life California Event** **Ford**

8. **Approval Of Draft Minutes Of The Regular Council Meeting Dated April 3, 2013** **Ford**

DISCUSSION AND OTHER ACTION ITEMS

9. **Presentation Of Wastewater Rate Scenarios And Cost Of Service Analysis By Red Oak Consultants** **Speer**

10. **Discussion Of Increasing Fees For Wastewater Services And Establishing A Public Hearing** **Speer**

11. **Monthly Budget Projections Update for Fiscal Year 2012-13** **McQuiston**

COMMITTEE REPORTS

City Organization

Members: Dan Clark, Jim Sanders
Meeting: 3rd Tuesday Of The Month At 5:00 P.M.; Council Conference Room
Next Meeting: May 21, 2013

Community Development Committee

Members: Jason Patin, Chip Holloway
Meetings: 1st Thursday Of The Month At 5:00 P.M.; Council Conference Room
Next Meeting: May 2, 2013

Infrastructure Committee

Members: Dan Clark, Jason Patin
Meeting: 2nd Wednesday Of The Month At 5:00 P.M., Council Conference Room
Next Meeting: May 8, 2013

Quality Of Life

Members: Chip Holloway, Lori Acton
Meeting: 2nd Thursday Of The Month At 5:00 P.M.; Kerr-McGee Center
Next Meeting: May 9, 2013 (Dark in June, July, December, and January)

Activate Community Talents And Interventions For Optimal Neighborhoods Task Force (ACTION)

Members: Jim Sanders, Jason Patin
Meetings: 3rd Tuesday of the Month at 4:00 P.M., Kerr-McGee Center
Next Meeting: May 21, 2013

Veterans Advisory Committee

Members: Jason Patin, Lori Acton
Meetings: 1st and 3rd Monday of the Month At 6:00 p.m., Council Conference Room
Next Meeting: May 6, 2013

Ridgecrest Area Convention And Visitors Bureau (RACVB)

Members: Jason Patin, Chip Holloway
Meetings: 1st Wednesday Of The Month, 8;00 A.M.
Next Meeting: May 1, 2013 at location to be announced

OTHER COMMITTEES, BOARDS, OR COMMISSIONS

CITY MANAGER REPORT

MAYOR AND COUNCIL COMMENTS

ADJOURNMENT

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/FINANCING AUTHORITY/HOUSING AUTHORITY AGENDA ITEM

SUBJECT:
Presentation Of the Employee of the Month Award

PRESENTED BY:
Dan Clark - Mayor

SUMMARY:

Staff recently implemented an Employee of the Month awards program, which gives the Council the opportunity to publicly recognize and extend their appreciation to employee's for exceptional service.

This month's recipient is Lane Ritchey, Maintenance Worker II

FISCAL IMPACT:
No Fiscal Impact
Reviewed by Finance Director

ACTION REQUESTED:

Presentation of a Certificate from Council to the Employee of the Month

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested: Present a recognition certificate to the Employee of the Month

Submitted by: Dan Clark Action Date: April 17, 2013
(Rev. 02/13/12)

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A Proclamation of
The City Of Ridgecrest, California

Recognizing National Health Services, Inc. 35th Anniversary

WHEREAS, *National Health Services, Inc., (NHSI), formerly the Buttonwillow Health Center, Inc., is a nonprofit corporation which operates thirteen sites in the western, northwestern, and northeastern portions of Kern County including Ridgecrest;* ***and***

WHEREAS, *All sites operate on a year-round basis, providing a full range of primary and preventive care and supportive services to an under served population, including migrant and seasonal farm workers, in each community and other surrounding areas;* ***and***

WHEREAS, *The roots of NHSI were planted in 1978 by the community. The corporation was based on the concept of "Health for All," a comprehensive health care delivery system linked to hospitals, nursing homes, home health agencies and Federal, State. and local health agencies and other surrounding areas;* ***and***

WHEREAS, *NHSI received Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation in 1997;* ***and***

WHEREAS, National Health Services, Inc. provides a wide variety of services to the community including Domestic Violence Screening, Diabetes Management Classes, Infant Car Seat Programs, Medical Diagnostic Screening, Obstetrics and other valuable services.

Now, therefore, be it proclaimed:

The City Council of the City of Ridgecrest does hereby Recognize National Health Services, Inc. and offers sincere congratulations and appreciation to the staff of National Health Services, Inc. for thirty-five years of providing the residents of Ridgecrest and Kern County with affordable, high-quality health care.

Proclaimed April 17, 2013

Dan O Clark, Mayor

Jason Patin
Mayor Pro Tem

Marshall "Chip" Holloway
Vice Mayor

James Sanders
Council Member

Lori Acton
Council Member

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A Proclamation of
The City Of Ridgecrest, California

Public Schools Month

WHEREAS, Public Education is an essential part of the infrastructure of the Indian Wells Valley and the key to our future successes in building and sustaining a better city for every citizen; and

WHEREAS, Freemasons in California have been dedicated to supporting public schools for more than 160 years, including the creation of the first Public Schools Week in 1920. The Masonic fraternity is built upon the same tenets of truth and equality that are the basis of free public education; and

WHEREAS, Freemasons regard an educated citizenry as the first necessity of a progressive state and that our nation's democratic ideals are advanced by our system of public education; and

WHEREAS, The Indian Wells Valley Masonic Lodge, as the local representative of the Grand Masonic Lodge of the State of California, publicly pledges its unqualified support of all Public Schools, teachers, staff and programs within the State of California and in the Indian Wells Valley.

Now, therefore, be it proclaimed:

The City Council of the City of Ridgecrest does hereby proclaim the month of April 2013 as "PUBLIC SCHOOLS MONTH" and asks all citizens of Ridgecrest to join with the Indian Wells Valley Masonic Lodge in renewing their commitment to Public Schools, Students, Teachers and Administrators, and work together to make a profound difference for public education.

Proclaimed April 17, 2013

Dan O Clark, Mayor

Jason Patin
Mayor Pro Tem

Marshall "Chip" Holloway
Vice Mayor

James Sanders
Council Member

Lori Acton
Council Member

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/FINANCING AUTHORITY/HOUSING AUTHORITY AGENDA ITEM

SUBJECT: A Resolution Awarding a Construction Contract for the Safe Routes to School Cycle 9 Project to Cen-Cal and authorizing the Interim City Manager, to execute the contract.

PRESENTED BY:
Dennis Speer, Public Works Director

SUMMARY:
On Wednesday March 20, 2013 the bids were opened for the construction of Safe Routes to School Cycle 9 Project on the East side of Guam Avenue, Upjohn Avenue to Bowman Road and the North side of Las Flores Avenue, Downs Street to Sierra View Street. A total of three bids were received. The bids are as follows:

Bidder	Bid
ANM Construction	$92,936.00
Cen-Cal Construction	$82,742.25
MJS Construction Inc	$109,897.75

The bids were reviewed by our City Engineer, Loren Culp. Based on this review, it is recommended that the contract be awarded to the lowest responsible and responsive bidder, Cen-Cal with the low bid of $82,742.25. A purchase order will be issued to Cen-Cal for a total amount of $82,742.25 for the construction of the Safe Routes to School Cycle 9 Project. The total cost of the project to include construction management is $96,075.25. This project is funded through the State and is administered by Caltrans.

The bids were originally rejected by the Ridgecrest City Council Resolution No. 12-94 on December 19, 2012 due to the high bid amounts. The City then rebid the project after reducing the scope of the project and this is the result of that rebid process.

Funding for the execution of the contract shall come from account 018-4760-430-4601 ST11-08.

FISCAL IMPACT:
$15,932.25
Reviewed by: Finance Director

ACTION REQUESTED:
Adopt the resolution that authorizes the award of a construction constract for the Safe Routes to School Cycle 9 Project to Cen-Cal and authorizes the Interim City Manager, to execute the contract.

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested: Adopt the resolution that authorizes the award of a construction constract for the Safe Routes to School Cycle 9 Project to Cen-Cal and authorizes the Interim City Manager, to execute the contract.

Submitted by: Dennis Speer Action Date: April 17, 2013
(Rev. 02/13/12)

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RESOLUTION NO. 13-XX

A RESOLUTION AWARDING A CONSTRUCTION CONTRACT FOR THE SAFE ROUTES TO SCHOOL CYCLE 9 PROJECT TO CEN-CAL AND AUTHORIZING THE INTERIM CITY MANAGER, TO EXECUTE THE CONTRACT

WHEREAS, on Wednesday March 20, 2013 the bids were opened for the construction of Safe Routes to School Cycle 9 Project on the East side of Guam Avenue, Upjohn Avenue to Bowman Road and the North side of Las Flores Avenue, Downs Street to Sierra View Street; and

WHEREAS, three bids were received and the results are as follows:

Bidder	Bid
ANM Construction	$92,936.00
Cen-Cal Construction	$82,742.25
MJS Construction Inc	$109,897.75

WHEREAS, these bids were reviewed by the City Engineer, Loren Culp for a determination of the lowest responsible and responsive bidder; and

WHEREAS, it was determined that Cen-Cal was the low bidder with the low bid of $82,742.25; and

WHEREAS, a purchase order will be issued to Cen-Cal in a total amount of $82,742.25 for construction of curb, gutter and sidewalk; and

WHEREAS, the State funds this project and it is administered by Caltrans; and

WHEREAS, the funding for the execution of the contract shall come from account 018-4760-430-4601 ST11-08.

NOW THEREFORE, Be It Resolved that the City Council of the City of Ridgecrest hereby:

1. Authorizes award of the contract for the Safe Routes to School Cycle 9 Project described herein to the lowest responsible and responsive contractor from the bids received as determined by the City Engineer, Loren Culp, and
2. Authorizes the Interim City Manager to execute the contract, and
3. Authorizes the Finance Director to amend the budget to reflect all appropriate capital, revenue and transfer accounts.

APPROVED AND ADOPTED this 17th day April 2013 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Daniel O. Clark, Mayor

ATTEST:

_____
Rachel J. Ford, CMC, City Clerk

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/FINANCING AUTHORITY/HOUSING AUTHORITY AGENDA ITEM

SUBJECT:
Agreement With The Consulting Firm Of Willdan Engineering To Provide Construction Management For The City of Ridgecrest On the Safe Routes to School Cycle 9 Project.

PRESENTED BY:
Dennis Speer, Public Works Director

SUMMARY:

The City of Ridgecrest requires the service of an engineering consulting firm to provide construction management for the Safe Routes to School Programs of Cycle 9. The specific project is for sidewalk, ramps, crosswalks and driveways. The project location is on the East Side of Guam Avenue – Upjohn Avenue to Bowman Road and the North Side of Las Flores Avenue – Downs Street to Sierra View Avenue. The proposed service is on a time and material basis not to exceed.

The contract amount of $13,333.00 is available from the project account set up in 2011 by Traffic Impact Fees and 001-4720-410-2106 account. This expenditure will be taken from 018-4760-430-4601 project ST11-08. This project is funded through the State and is administered by Caltrans.

Staff recommends that the City Council approve the agreement and authorize the Interim City Manager, to execute the agreement with the engineering firm Willdan Engineering.

FISCAL IMPACT:

$13,333.00

Reviewed by Finance Director

ACTION REQUESTED:

Adopt The Resolution That Approves the Agreement With The Consulting Firm, Willdan Engineering and Authorizes the Interim City Manager, To Execute This Agreement.

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested: Adopt The Resolution That Approves the Agreement With The Consulting Firm, Willdan Engineering and Authorizes the Interim City Manager, To Execute This Agreement.

Submitted by: Dennis Speer Action Date: April 17, 2013
(Rev. 02/13/12)

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RESOLUTION NO. 13-XX

A RESOLUTION TO APPROVE THE AGREEMENT WITH THE CONSULTING FIRM WILLDAN ENGINEERING, TO PROVIDE CONSTRUCTION MANAGEMENT FOR THE CITY OF RIDGECREST ON THE SAFE ROUTES TO SCHOOL CYCLE 9 PROJECT

WHEREAS, The City of Ridgecrest requires the service of an engineering consulting firm to provide construction management for the City; and

WHEREAS, the proposed service is on an time and material basis not to exceed; and

WHEREAS, the service is for the construction management of the Safe Routes to School Cycle 9 project; and

WHEREAS, the project will include sidewalk, ramps, crosswalks, and driveways; and

WHEREAS, the contract amount of $13,333.00 is available from the project account set up in 2011 with Traffic Impact Fees and 001-4720-410-2106; and

WHEREAS, the funds will be expended from account 018-4760-430-4601 project ST11-08.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Ridgecrest hereby approves the agreement with the consulting firm, Willdan Engineering, and authorizes the Interim City Manager to execute this Agreement.

APPROVED AND ADOPTED this 17th day of April 2013 by the following vote.

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Daniel O. Clark, Mayor

ATTEST:

_____
Rachel J. Ford, CMC, City Clerk

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/FINANCING AUTHORITY/HOUSING AUTHORITY AGENDA ITEM

SUBJECT:
A Resolution that approves a lease agreement with Waste Management of California, Inc. and authorizes the Interim City Manager to execute the agreement.

PRESENTED BY:
Dennis Speer, Interim City Manager

SUMMARY:

The proposed agreement is for leasing a City owned property to Waste Management of California, Inc. The purpose of the lease is for providing the public service of solid waste management and removal. The property will be occupied and used by Waste Management of California, Inc. for a staging area, a truck maintenance and washing facility, truck parking and container storage, and for any other related incidental uses.

Staff recommends that the City Council approve the lease agreement.

FISCAL IMPACT:

$60,000 in annual revenue.
Reviewed by Finance Director

ACTION REQUESTED:

Adopt the Resolution that approves the Lease Agreement with Waste Management of California, Inc. and authorizes the Interim City Manager to execute the agreement.

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested: Adopt the Resolution that approves the Lease Agreement with Waste Management of California, Inc. and authorizes the Interim City Manager to execute the agreement.

Submitted by: Dennis Speer Action Date: April 17, 2013
(Rev. 02/13/12)

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RESOLUTION NO. 13-

A RESOLUTION OF THE RIDGECREST CITY COUNCIL APPROVING THE LEASE AGREEMENT WITH WASTE MANAGEMENT OF CALIFORNIA, INC. AND AUTHORIZING THE INTERIM CITY MANAGER TO EXECUTE THE AGREEMENT

WHEREAS, the City of Ridgecrest owns certain property set aside for public use; and

WHEREAS, WASTE MANAGEMENT OF CALIFORNIA, Inc. provides the public service of solid waste management and removal; and

WHEREAS, Waste Management of California, Inc. desires to lease the property as its operation site; and

WHEREAS, The City Attorney prepared the lease agreement.

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Ridgecrest approves the Lease Agreement with Waste Management of California, Inc. and authorizes the Interim City Manager to execute the agreement.

APPROVED AND ADOPTED this 3rd day of April 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

_____
Daniel O. Clark, Mayor

ATTEST:

_____
Rachel J. Ford, CMC
City Clerk

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Building Lease Agreement

THIS LEASE ('Lease') is entered into as of April 1, 2013 ('Effective Date') by CITY OF RIDGECREST, a public agency and municipality, ("Landlord" or "City") and WASTE MANAGEMENT OF CALIFORNIA, Inc., a commercial tenant ("Tenant") for the sole purpose of providing a City public service , that of waste management and removal.

ARTICLE 1. BASIC LEASE PROVISIONS

1.1 Landlord: CITY OF RIDGECREST

1.2 Tenant: WASTE MANAGEMENT OF CALIFORNIA, Inc.

1.3 Rental Commencement Date: August 1, 2012

1.4 Premises: 1521 North China Lake Boulevard, Ridgecrest, California, as more specifically depicted on Exhibit B. Exhibit A contains a legal description of the leased Premises.

1.5 Rentable area: Approximately 62,291 square feet.

1.6 Lease term:

Basic Term: Six years and five months, computed from the first day of the first calendar month on the Rental Commencement Date, and ending December 31, 2018.

Renewal Term(s): One (one) Renewal Terms, each of one (1) year, exercisable pursuant to Section 20.18.

1.7 Annual Rental:

	Year(s)	Monthly Rental	Annual Rental
Basic Term:	6 years and five months adjusted each year pursuant to Section 4.2.	$5,000	$60,000

Optional Renewal Term: 1 year adjusted pursuant to Section 4.2.

1.8 Use of Premises: The Premises shall be occupied and used by Tenant for the sole purpose of a staging area truck maintenance and washing facility, truck parking and container storage and for any other related incidental uses that are legally permitted under federal, state and local law, including any applicable zoning ordinance.

1.9 Security deposit: Five-thousand Dollars ($5,000) payable upon execution of this Lease by Tenant.

1.10 Late charge: three-hundred dollars ($300)

1.11 Addresses for notices and rent payment:

Landlord:	Tenant:
City of Ridgecrest	Waste Management of California, Inc.
Attn: City Manager	c/o Corporate Real Estate Dept.
100 W. California Ave.	720 East Butterfield Road, 4th Floor
Ridgecrest, California 93555-4054	Lombard, Illinois 60148

1.12 Lump Sum Payment:

In consideration of this lease, Tenant agrees to pay Landlord $75,000 upon execution of this agreement. This is a separate additional rental obligation apart from the Rent obligation and Security Deposit defined herein.

1.13 Exhibits:

This Article 1 ('Basic Lease Provision') is intended to supplement and/or summarize the provisions set forth in the balance of this Lease. If there is any conflict between any provisions contained in this Article 1 and the balance of this Lease, the balance of this Lease shall control.

Exhibit A is a legal description of the leased Premises at the address commonly referred to as 1521 North China Lake Boulevard, Ridgecrest, California. Exhibit B is a map depicting the location of the leased Premises marked as “Lease Area”.

ARTICLE 2. ADDITIONAL DEFINITIONS

2.1 ADDITIONAL RENTAL. The term 'Additional Rental' as used in this Lease shall mean each and every payment described in this Lease which is required to be paid by Tenant to Landlord other than the Annual Rental.

2.2 ADJUSTMENT DATE. The term 'Adjustment Date' as used in this Lease shall be used to mean each anniversary of the Rental Commencement Date during the Lease Term, including any Renewal Term(s).

2.3 ALTERATIONS. The term 'Alterations' as used in this Lease shall mean any addition, modification or other alteration of the Premises made after opening of the Premises for business.

2.4 INDEX. The term 'Index' as used in this Lease shall mean the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Los Angeles / Riverside / Orange County Area. If at any time the Index should not exist in the format recited herein, Landlord shall substitute any official index published by the Bureau of Labor Statistics, or successor or similar governmental agency, as may then be in existence and shall, in Landlord's opinion, be most nearly equivalent thereto.

2.5 RENTAL. The term 'Rental' or 'Rent' as used in this Lease shall mean the total of all payments described in this Lease which is required to be paid by Tenant to Landlord, including but not limited to the Annual Rental and all other items described as Additional Rental payments.

2.6 TERM OR LEASE TERM. The term 'Term' or 'Lease Term' shall refer to the term of this Lease, as specified in the Basic Lease Provisions, together with any renewals or extensions thereof.

ARTICLE 3. PREMISES

3.1 PREMISES. Landlord leases to Tenant and Tenant leases from Landlord for the Term, at the Rental and upon the covenants and conditions set forth in this Lease, the Premises described in the Basic Lease Provisions. Tenant acknowledges that, prior to execution of this Lease, Tenant has had the opportunity to inspect the Premises and, by its execution of this Lease, Tenant hereby accepts the Premises in an 'as-is' condition. Tenant acknowledges that it shall have no right of control, regulation, approval or disapproval with respect to the use or development of any portion of Landlord property which is not included in the Premises. Tenant acknowledges that this Lease is subordinate and subject to all encumbrances, reservations, restrictions and other matters affecting the Premises or the use or occupancy thereof, in effect on the execution of this Lease or thereafter promulgated, but subject to Tenant's receipt of a non-disturbance agreement from any such encumbrances. Landlord shall deliver to Tenant copies of any title insurance policies and recorded instruments affecting the Premises.

The premises to be rented to Tenant pursuant to this lease excludes the portion of the property currently used by Cardinal Plumbing.

3.2 RESERVATION. Landlord reserves the right to use the exterior walls, floor, roof and plenum in, above and below the Premises for the installation, maintenance, use and replacement of pipes, ducts, conduits, wires, alarm lines, heating, ventilating and air conditioning lines, fire protection lines and systems, electric power, telephone and communication lines and systems, sanitary sewer lines and systems, gas lines and systems, water lines and systems, and structural elements serving the City property and for such other purposes as Landlord deems necessary, provided that such use does not interfere with Tenant's use and occupancy of the Premises..

ARTICLE 4. RENTAL

4.1 ANNUAL RENTAL. Tenant agrees to pay as rental for the use and occupancy of the Premises the Annual Rental specified in the Basic Lease Provisions, in the monthly installments so specified, in advance, on or before the first day of each month, without prior demand, offset or deduction. Should the Commencement Date be a day other than the first day of a calendar month, then the monthly installment of Annual Rental for the first fractional month shall be equal to one-thirtieth (1/30th) of the monthly installment of Annual Rental for each day from the Commencement Date to the end of the partial month. Such amount shall be payable on the Rental Commencement Date.

4.2 ADJUSTMENT TO ANNUAL RENTAL. The Annual Rental shall be adjusted annually (the "Adjustment Date"), commencing on Tenant's first Adjustment Date, August 1, 2013. Adjustments, if

any, shall be based upon increases, if any, in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Los Angeles/Riverside/Orange County Area ("Index"). The Index in publication three (3) months immediately before the commencement of the term of this Lease shall be the "Base Index." The Index in publication three (3) months immediately before the then Adjustment Date shall be the "Comparison Index." As of each Adjustment Date, the Rent payable during the ensuing twelve-month period shall be increased by a percentage equal to the percentage increase, if any, in the Comparison Index over the Base Index. If the Comparison Index for any Adjustment Date is equal to or less than the Comparison Index for the preceding Adjustment Date (or the Base Index, in the case of First Adjustment Date), the Rent for the ensuing twelve-month period shall remain unchanged. When the Rent payable as of each Adjustment Date is determined, Landlord shall promptly give Tenant written notice of such adjusted Rent and the manner in which it was computed. The adjusted Rent shall become the new "Rent." The adjusted Rent shall not go below the amount of the Rent prior to the Adjustment Date. Notwithstanding anything contained in this section 4.2, any annual Rent increase shall not be greater than 4% above the prior Annual Rental amount.

4.3 PLACE OF PAYMENT. Tenant shall pay Annual Rental and Additional Rental to Landlord at the address specified in the Basic Lease Provisions or to such other address and/or person as Landlord may from time to time designate in writing to Tenant.

4.4 LATE PAYMENTS. If Tenant fails to pay any Annual Rental or Additional Rental when the same is due and payable, the unpaid amounts shall bear interest at the rate which is the lesser of 1.25% per month or the maximum rate allowed by law from the date due to the date of payment. In addition, Tenant acknowledges that the late payment of any installment of Annual Rental or Additional Rental will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of which are extremely difficult or impractical to fix. These costs and expenses will include, without limitation, administrative and collection costs and processing and accounting expenses. Therefore, if any installment of Annual Rental or Additional Rental is not received by Landlord from Tenant within five (5) days after the installment is due, Tenant shall immediately pay to Landlord the amount specified in the Basic Lease Provisions as the Late Charge, in addition to the Annual Rental and/or Additional Rental which is otherwise due. Landlord and Tenant agree that the Late Charge represents a reasonable estimate of the costs and expenses and is fair compensation to Landlord for its loss suffered by the nonpayment by Tenant. Unless otherwise provided herein, payments of Additional Rental shall be due at the same time as the next installment of Annual Rent.

ARTICLE 5. SECURITY DEPOSIT

5.1 SECURITY DEPOSIT. Upon execution of this Lease, Tenant of shall deposit with Landlord the sum specified in the Basic Lease Provisions as the Security Deposit. The Security Deposit shall be held by Landlord without obligation or liability for payment of interest thereon as security for the faithful performance by Tenant of all of the terms of this Lease to be observed and performed by Tenant. The Security Deposit shall not be mortgaged, assigned, transferred or encumbered by Tenant without the prior written consent of Landlord. Landlord shall not be required to keep the Security Deposit separate from its general funds, nor shall Landlord be required to pay interest on the Security Deposit.

5.2 APPLICATION OF SECURITY DEPOSIT. Should Tenant at any time during the Term hereof be in default under any provision of this Lease, Landlord may, at its option and without prejudice to any other remedy which Landlord may have at law or in equity, appropriate the Security Deposit, or the portion thereof as may be deemed necessary, and apply same toward payment of Annual Rental, Additional Rental, or to loss or damage sustained by Landlord due to the default on the part of Tenant. Within five (5) days after written demand by Landlord, Tenant shall deposit cash with Landlord in an amount sufficient to restore the Security Deposit to the original sum deposited.

5.3 REFUND. Should Tenant perform all of the obligations under this Lease, the Security Deposit, or any unappropriated balance thereof then remaining, shall be returned to Tenant within fourteen (14) days following delivery of the Premises to Landlord, unless such funds are required for repairs of the Premises, in which event any unappropriated balance then remaining shall be delivered to Tenant within thirty (30) days following Delivery of the Premises.

ARTICE 6. COMMON AREA

6.1 USE OF COMMON AREA. The use and occupancy by Tenant of the Premises shall include the non-exclusive use of the Common Area except areas used in the maintenance or operation of the City

property) in common with Landlord and other tenants of City property and their invitees. Any such use shall be subject to the Municipal Code, the Lease, and applicable laws concerning the use of the Common Area, established by Landlord from time to time.

6.2 CONTROL OF AND CHANGES TO COMMON AREA. Landlord shall have the sole and exclusive control of the Common Area, as well as the right to make changes to the Common Area. Landlord's rights shall include, but not be limited to, the right to (a) restrain the use of the Common Area by unauthorized persons; (b) temporarily close any portion of the Common Area for repairs, improvements or alterations or for any other reason deemed sufficient in Landlord's judgment; and (c) change the shape and size of the Common Area, add, eliminate or change the location of improvements to the Common Area, including, without limitation, buildings, parking areas, roadways and curb cuts, and construct buildings on the Common Area. Landlord may reasonably determine the nature, size and extent of the Common Area and whether portions of the same shall be surface, underground or multiple-deck, as well as make changes to the Common Area from time to time which in its opinion are deemed desirable for the Landlord.

6.3 EMPLOYEE PARKING. Landlord may designate what portions of the Common Area, if any, shall be used for automobile or other parking by Tenants and their employees, subtenants and licensees. Tenant shall require its employees, subtenants and licensees to park in such designated areas.

ARTICLE 7. TAXES

7.1 TAXES. Revenue and Taxation Code section 107, *et seq*., impose a tax on possessory interests created in tax-exempt property. Tenant shall pay a possessory interest tax if the tax is assessed. Tenant shall also pay assessments levied by any public taxing jurisdiction arising out of the construction, reconstruction, maintenance or improvement of public improvements benefiting the premises.

ARTICLE 8. UTILITIES

8.1 UTILITY SERVICES AND CHARGES. Tenant agrees to make all arrangements for and to pay directly to the appropriate utility company all charges for utility services, including, without limitation, all utility hook-up connection charges, fees and taxes, supplied to Tenant for Tenant's use in or about the Premises including, but not limited to, gas, electricity, water, telephone and trash collection.

8.2 WAIVER OF LIABILITY. The failure or interruption of any utility or service shall neither render Landlord liable in damages nor otherwise entitle Tenant to terminate this Lease or discontinue making payments of Annual Rental or Additional Rental, unless such failure or interruption is caused by Landlord’s sole negligent acts or omissions and is permitted by statute.

8.3 TENANT'S NONPAYMENT. If Tenant fails to pay any charges referred to in this Article when due, Landlord may pay the charge, and Tenant agrees to reimburse Landlord for any amount paid by Landlord plus interest thereon at the rate which is the lesser of 1.25 % per month or the maximum rate allowed by law.

ARTICLE 9. INSURANCE

9.1 TENANT'S INSURANCE. As of the Rental Commencement Date and continuing during the Term, Tenant shall, at its sole cost and expense, procure, pay for and keep in full force and effect the following types of insurance, in at least the amounts and in the form specified below:

9.1.1 General Liability Insurance. Tenant shall procure and maintain during the term of this Lease and any extensions, Commercial General Liability Insurance to protect against Bodily Injury and Property Damage, Products / Completed Operations, Personal & Advertising Injury, and Fire Legal Liability, for damages and accidents arising out of Tenant’s business operations in, out of, and around the Leased Premises, for a minimum amount of $1,000,000.00 combined single limit for Bodily Injury and Property Damage each occurrence and $2,000,000.00 in the aggregate.

9.2 POLICY FORM. All policies of insurance provided for herein shall be issued by insurance companies with a financial rating reasonably acceptable to Landlord and which are qualified to do business in California. All such policies shall name Landlord, its directors, officers and employees as an additional named insured and shall be for the mutual and joint benefit and protection of Landlord and Tenant. Copies of the certificates of insurance shall be delivered to Landlord prior to Tenant, its agents or employees, entering the Premises for any purpose. If available, Tenant will also provide a declarations page for each such policy. Thereafter, executed copies of renewal policies or certificates shall be

delivered to Landlord within thirty (30) days prior to the expiration of the term of each policy. All public liability, property damage and other casualty policies shall be written as primary policies and any insurance carried by Landlord shall not be contributing with such policies.

9.3 INCREASED PREMIUMS DUE TO USE OF PREMISES. Tenant shall not do any act in or about the Premises which will tend to increase the insurance rates upon the building of which the Premises are a part. Tenant agrees to pay to Landlord upon demand the amount of any increase in premiums for insurance resulting from Tenant's use of the Premises, whether or not Landlord shall have consented to the act on the part of Tenant.

9.4 INDEMNIFICATION. To the fullest extent permitted by law, Tenant covenants with Landlord that except for Landlord's sole negligent acts or omissions and only to the extent permitted by statute, Landlord shall not be liable for any damage or liability of any kind or for any injury to or death of persons, or damage to property of Tenant or any other person occurring from and after the Effective Date of this Lease (or such earlier date if Tenant is given earlier access to the Premises), from any cause whatsoever related to the use, occupancy or employment of the Premises by Tenant or any person thereon or holding under Tenant or to any default by Tenant under this Lease, and Tenant shall indemnify, protect, defend and save Landlord harmless from all liability whatsoever on account of any real or alleged damage or injury and from liens, claims, damages, costs, expenses and demands related to the use of the Premises and its facilities, or any repairs, alterations or improvements which Tenant may make or cause to be made upon the Premises or arising from any default by Tenant under this Lease, but Tenant shall not be liable for damage or injury ultimately determined to be caused by the gross negligence or willful misconduct of Landlord or its designated agents, servants or employees. This obligation to indemnify shall include reasonable attorneys' fees and investigation costs and all other reasonable costs, expenses and liabilities incurred by Landlord or its counsel from the first notice that any claim or demand is to be made or may be made.

9.5 FAILURE BY TENANT TO MAINTAIN INSURANCE. If Tenant refuses or neglects to secure and maintain insurance policies complying with the provisions of this Article, Landlord may, but shall not be obligated to, secure the appropriate insurance policies and Tenant shall pay upon demand the cost of same to Landlord, plus interest at the rate at which is the lesser of 1.25% per month or the maximum rate allowed by law, as Additional Rental.

ARTICLE 10. TENANT'S CONDUCT OF BUSINESS

10.1 USE AND PROHIBITIONS ON USE.

10.1.1 Compliance With Laws. Rules and Regulations. Tenant shall comply with the all rules, regulations and laws concerning the Premises or Tenant's use of the Premises, including, without limitation, the obligation at Tenant's cost to alter, maintain or restore the Premises in compliance and conformity with all laws, rules and regulations relating to the condition, use, or occupancy of the Premises during the term.

10.1.2 No Nuisance. Tenant shall not use the Premises in any manner that will constitute waste or nuisance.

10.1.3 No Auctions. No auction or distress, liquidation, going out of business, fire or bankruptcy sale may be conducted on the Premises without Landlord's prior written consent.

10.1.4 Compliance With Hazardous Materials. Tenant shall not engage in any activity on or about the Premises that violates any Environmental Law (as defined below), and shall promptly at Tenant's sole cost and expense, take all investigatory and/or remedial action reasonably required by Landlord or ordered or required by any government agency or Environmental Law for clean-up and removal of any contamination involving any Hazardous Materials (as defined below) created, caused directly or materially contributed to by Tenant. The term "Environmental Law" shall mean any federal, state or local law, statute, ordinance or regulation pertaining to health, industrial hygiene or the environmental conditions on, under or about the Premises, including without limitation, the following:

(a) Federal. Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA" or "Superfund"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. § 9601 et seq.; Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. § 6901 et seq.; Clean Water Act ("CWA"), 33 U.S.C. § 1251 et seq.; Clean Air Act ("CAA"), 42 U.S.C. § 78401 et seq.; Toxic Substances Control Act ("TSCA"), 15 U.S.C. § 2601 et seq.; The Refuse Act of 1899, 33 U.S.C. § 407; Occupational Safety and Health Act ("OSHA"), 29 U.S.C. § 651 et seq.; Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; United States

Department of Transportation Table (49 CFR 172.101 and amendments thereto) and the Environmental Protection Agency Table (40 CFR Part 302 and amendments thereto);

(b) California. Carpenter-Presley-Tanner Hazardous Substance Account Act ("California Superfund"), Cal. Health & Safety Code § 25300 et seq.; California Hazardous Waste Control Act, Cal. Health & Safety Code Sections 25100 et seq.; Porter-Cologne Water Quality Control Act ("Porter-Cologne Act"), Cal. Water Code § 13000 et seq.; Hazardous Waste Disposal Land Use Law, Cal. Health & Safety Code § 25220 et seq.; Safe Drinking Water and Toxic Enforcement Act of 1986 ("Proposition 65"), Cal. Health & Safety Code § 25249.5 et seq.; Hazardous Substances Underground Storage Tank Law, Cal. Health & Safety Code § 25280 et seq.; California Hazardous Substance Act, Cal. Health & Safety Code § 28740 et seq.; Air Resources Law, Cal. Health & Safety Code § 39000 et seq.; Hazardous Materials Release Response Plans and Inventory, Cal. Health & Safety Code § § 25500-25541; Toxic Pits Cleanup Act of 1984 ("TPCA"), Cal. Health & Safety Code § § 25208-25208.17;

Other Laws and Regulations. All other regulations promulgated pursuant to said foregoing laws or any amendments or replacement thereof, provided such amendments or replacements shall in no way limit the original scope and/or definition of Hazardous Materials defined herein as of the Effective Date of this Lease.

The term "Hazardous Materials" includes, without limitation, any material or substance which is (a) defined or listed as a "hazardous waste", "extremely hazardous waste", "restrictive hazardous waste" or "hazardous substance" or considered a waste, condition of pollution or nuisance under the Environmental Laws; (b) petroleum or a petroleum product or fraction thereof; (c) asbestos; (d) polychlorinated bipheny; (e) flammable explosives; (f) urea formaldehyde; and/or (g) substances known by the State of California to cause cancer and/or reproductive toxicity. It is the intent of the parties hereto construe the terms "Hazardous Materials" and "Environmental Laws" in their broadest sense. Tenant shall provide prompt written notice to Landlord of the existence of Hazardous Materials on the Premises and all notices of violation of the Environmental Laws received by Tenant. Tenant shall not bring onto, create or dispose of, in or about the Premises or the Project, including but not limited to its sewage or storm drain systems, any Hazardous Materials, except to the extent that such substance is reasonably necessary and customarily used in connection with Tenant's use set forth in paragraph 1.8, and Tenant is in compliance with all Environmental Laws, and local, state and federal laws.

10.1.5 Disclosure and Warning Obligations. Tenant shall also comply with all laws, ordinances and regulations regarding the disclosure of the presence or danger of Hazardous Materials, including without limitation Kern County's Hazardous Materials Disclosure Program. In the event Kern County discontinues, repeals or modifies this Program, Landlord reserves the right to implement and require its own hazardous materials disclosure program for all tenants in Landlord's property, as applicable.

10.1.6 Indemnification. Tenant shall indemnify, protect, defend (with counsel reasonably acceptable to Landlord) and hold Landlord and each of Landlord's officers, directors, partners, employees, agents, attorneys, successors and assigns (collectively, the "Indemnitees") free and harmless from and against any and all claims, liabilities, damages, costs, penalties, forfeitures, losses or expenses (including reasonable attorneys' fees and costs) for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) ("Claims") arising or resulting in whole or in part, directly or indirectly, from the presence or discharge of Hazardous Materials, in, on, under, upon or from the Premises or the improvements located thereon or from the transportation or disposal of Hazardous Materials to or from the Premises to the extend caused by Tenant. This section is in addition to the provisions of Section 9.4.

10.1.7 Assignment and Subletting. If (i) any anticipated use of the Premises by any proposed assignee or subTenant involves the generation, storage, use, treatment or disposal of Hazardous Materials, or (ii) the proposed assignee or sublessee has been required by any prior landlord, lender or governmental authority to take remedial action in connection with Hazardous Materials contaminating a property and the contamination resulted from such party's action or use of the property in question, it shall not be unreasonable for Landlord to withhold its consent to an assignment or subletting to such proposed assignee or sublessee. Landlord may require that the proposed assignee or sublessee provide information and/or a certification executed by an authorized corporate officer with respect to the foregoing matters.

10.2 COVENANTS REGARDING OPERATION.

Tenant shall; (a) comply with the Municipal Code and Rules and Regulations of Landlord, available at City Hall, as such may be amended from time to time; (b) secure and maintain a business license and all other applicable governmental approvals; (c) keep the Premises and interior and exterior portions of windows, doors and all other glass fixtures in a neat, clean, sanitary and safe conditions; and (d) keep the area adjacent to the Premises clean from visible trash, papers, oil, gum and other debris.

10.3 ADVERTISING MEDIA. Tenant shall not affix upon the Premises any sign, advertising placard, name, insignia, trademark, descriptive material or other like item unless approved in writing by Landlord in advance, which approval shall not be unlawfully withheld or delayed or unlawfully conditioned. All of Tenant's signage shall comply with the Municipal Code and all applicable rules and regulations. Tenant shall maintain its signage in good condition and repair during the Lease Term.

-ARTICLE 11. MAINTENANCE, REPAIRS - AND ALTERATIONS

11.1 LANDLORD'S RIGHT OF ENTRY. Landlord, its agents, contractors, servants and employees, may enter the Premises at all reasonable times and with twenty-four hour prior notice to: (a) examine the Premises; (b) perform any obligation to, or exercise any right or remedy of, Landlord under this Lease; (c) make repairs, alterations, improvements or additions to the Premises or to other portions of the Landlord’s property as Landlord deems necessary or desirable; (d) perform work necessary to comply with laws, ordinances, rules or regulations of any public authority or of any insurance underwriter; (e) serve, post or keep posted any notices required or allowed under the provisions of this Lease, including, but not limited to, notices of non-responsibility for Alterations, and (f) perform work that Landlord deems necessary to prevent waste or deterioration in connection with the Premises. Tenant shall not be entitled to an abatement or reduction of Annual Rental or Additional Rental if Landlord exercises any rights reserved in this Section. Landlord shall conduct its activities on the Premises hereunder in a manner that will minimize any inconvenience, annoyance or disturbance to Tenant. Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of Landlord's entry on the Premises as provided in this Section, except damages resulting from the reckless or willful acts or omissions of Landlord, or its authorized representatives. In an emergency that threatens property or lives or constitutes a dangerous condition, entry may be made on less than 24 hours notice.

11.2 TENANT'S MAINTENANCE OBLIGATIONS. Tenant, at its sole expense, throughout the Lease Term, shall keep the Premises and every part thereof) including, without limitation, all utility pipes and conduits, fixtures, heating, ventilating and air conditioning equipment exclusively serving the Premises (including, without limitation, the HVAC system), all signs, locks, doors, door frames, door checks, windows, window frames, skylights and other openings in the roof or exterior walls and floor coverings in a good order, condition and repair and shall make replacements necessary to keep the Premises in this condition. All replacements shall be of quality equal to or exceeding that of the original. Should Tenant fail to make these repairs and replacements or otherwise maintain the Premises within five (5) days after written demand by Landlord, or should Tenant commence but fail to complete any repairs or replacements within a reasonable time after written demand by Landlord, Landlord may make the repairs or replacements, and Tenant shall pay the cost of such repairs and replacement, together with interest at the rate which is the lesser of 1.0% per month or the maximum rate allowed by law from the date of commencement of the work, as Additional Rental upon receipt of a bill from Landlord. Tenant shall repair promptly at its expense any damage to the Landlord caused by Tenant or its agents or employees or caused by the installation or removal of Tenant's personal property.

11.3 ALTERATIONS, ADDITIONS AND IMPROVEMENTS. Tenant shall not make any Alterations, additions or improvements, to the Premises without in each case first obtaining Landlord's prior written consent. All Alterations, additions and improvements made shall remain on and be surrendered with the Premises on expiration or termination of the Term except that Landlord may elect at the time of granting its approval to require Tenant to remove any Alterations, additions and improvements that Tenant has made to the Premises except those that are structural. If Landlord so elects, Tenant shall remove those Alterations, additions and improvements so designated by Landlord and Tenant shall repair, at Tenant's expense, any damage to the Premises caused by the removal of such Alterations, additions and improvements.

11.4 MECHANIC'S LIENS. Tenant shall pay all costs for work performed by or on account of it and keep the Premises and the Landlord’s property free and clear of mechanics' liens or other liens. Tenant

shall give Landlord immediate notice of any lien filed against the Premises or against the City's property if related to work performed by it or for it. Upon Landlord's request, Tenant shall immediately remove of record any lien by payment or by recording an appropriate bond. If a final judgment is entered establishing the validity of any lien which has not been removed of record, Tenant shall immediately pay the judgment. If Tenant fails to pay the judgment within three (3) days of its entry, Landlord may pay the judgment on Tenant's account. If Tenant fails to remove of record any lien by recording any appropriate bond or obtaining title insurance over such lien to the extent permitted by law, or providing other agreed-upon security, Landlord, at its option and without waiving any of its other legal remedies at law or in equity, may pay the lien. In either event, the amount so paid by Landlord, together with costs and reasonable attorneys' fees, shall be immediately due and owing from Tenant to Landlord.

ARTICLE 12. ASSIGNMENT AND SUBLETTING

12.1 NO ASSIGNMENT. Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge or in any matter transfer this Lease or any interest herein or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant. If Tenant is a partnership, any change in the makeup of the partnership, whether voluntary or involuntary, which results in an ownership interest in the partnership of more than fifty (50%) percent being held by parties who were not partners as of the commencement of this Lease, or the dissolution of the partnership, shall be deemed an assignment. If Tenant is a corporation, any dissolution, merger, consolidation, or other reorganization of Tenant, or any sale or transfer of stock in the corporation which results in more than fifty (50%) percent of the total combined voting power of all classes of stock being held by persons or entities who were not shareholders as of the commencement date of this Lease, shall be deemed an assignment. Any of the foregoing acts without Landlord's consent shall be void and shall, at the option of Landlord, terminate this Lease. This Lease shall not, nor shall any interest of Tenant herein, be assignable by operation of law without the prior written consent of Landlord.

12.2 NO RELEASE. No subletting or assignment shall release Tenant from Tenant's obligation under this Lease or alter the primary liability of Tenant to pay the Annual Rent and Additional Rental and to perform all other obligations to be performed by Tenant hereunder. The acceptance of any monetary sums by Landlord from any other person shall not be deemed to be waiver by Landlord of any provision hereof. Consent to one assignment or subletting is not consent to subsequent assignments or subsequent subleases. In the event of a default in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee, sublessee or successor. Landlord may consent to subsequent assignments of the Lease or subletting or amendments or modifications to the Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto and any such actions shall not relieve Tenant of liability under this Lease.

ARTICLE 13. DAMAGE

13.1 INSURED CASUALTY. If the Premises are damaged by fire or other perils covered by the insurance carried by Landlord, the following provisions shall apply:

13.1.1 Within a period of one hundred twenty (120) days after Landlord becomes aware of the casualty, Landlord, at its cost, shall commence repair, reconstruction and restoration of the Premises to the extent of Landlord's obligation under Section 11.1 and prosecute the same diligently to completion. Tenant, at its cost, shall repair and restore all other items. Tenant shall commence this work promptly upon delivery of possession of the Premises to Tenant and diligently prosecute it to completion.

13.1.2 Notwithstanding the foregoing, in the event of a partial or total destruction of the Premises during the last two (2) years of the Lease Term, Landlord and Tenant shall each have termination right within thirty (30) days after the destruction. For purposes of this Section, "partial destruction" shall be deemed destruction to an extent of at least thirty-three and one-third percent (33-1/3%) of the then full replacement cost of the Premises as of the date of destruction.

13.2 UNINSURED CASUALTY. If the Premises are damaged as a result of any casualty not covered by Landlord's insurance, Landlord, within ninety (90) days followed the date of such damage, at its option, may commence repair, reconstruction or restoration of the Premises to the extent of Landlord's obligations under Section 11.1 and prosecute the same diligently to completion, or within said ninety (90) day period Landlord may elect not to so repair, reconstruct or restore the

Premises, in which event this Lease shall cease and terminate upon the expiration of such ninety (90) day period. In the event Landlord elects to restore, Tenant shall be responsible for the same obligations it is responsible for pursuant to Section 13.1.1 above.

13.3 DISTRIBUTION OF PROCEEDS. In the event of the termination of this Lease pursuant to this Article, all proceeds from Tenant's Fire and Extended Coverage insurance under Article 9 and covering covered items and Tenant's leasehold improvements, but excluding proceeds for trade fixtures, merchandise, signs and other personal property, shall belong to and shall be disbursed and paid directly to Landlord.

13.4 WAIVER OF TERMINATION. Tenant waives any statutory rights of termination which may arise by reason of any partial or total destruction of the Premises.

ARTICLE 14. EMINENT DOMAIN

14.1 TAKING. The term "Taking" as used in this Article shall mean an appropriation or taking under the power of eminent domain by any public or quasi-public authority or a voluntary sale or conveyance in lieu of condemnation but under threat of condemnation.

14.2 TOTAL TAKING. In the event of a Taking of the entire Premises, this Lease shall terminate and expire as of the date possession is delivered to the condemning authority, and Landlord and Tenant shall each be released from any liability accruing pursuant to this Lease after the date of termination.

14.3 PARTIAL TAKING. If there is a Taking of more than twenty-five (25%) of the Rentable Area of the Premises or, regardless of the amount taken, the remainder of the Premises is not one undivided parcel of property, either Landlord or Tenant may terminate this Lease as of the date Tenant is required to vacate a portion of the Premises upon giving notice in writing of such election within thirty (30) days after receipt by Tenant from Landlord of written notice that a portion of the Premises have been so appropriated or taken.

14.4 TAKING. In the event of a Taking of more than 30% of the Landlord’s property other than the Premises, Landlord may terminate this Lease upon thirty (30) days advance written notice to Tenant.

14.5 TERMINATION OF LEASE. If this Lease is terminated as provided above, Landlord shall be entitled to the entire award or compensation in such condemnation proceedings, or settlement in lieu thereof, but the Annual Rental and Additional Rental for the last month of Tenant's occupancy shall be prorated and Landlord shall refund to Tenant any unearned portion of Annual Rental and Additional Rental paid in advance.

14.6 CONTINUATION OF LEASE. In the event neither Landlord nor Tenant elects to terminate this Lease as provided above, or in the event less than twenty-five percent (25%) of the Rentable Area of the Premises was subject to the Taking and the remainder thereof is an undivided parcel of property, then in either such event the Tenant shall continue to occupy the portion of the Premises which was not the subject of the Taking and the following provisions shall apply: (a) to the extent reasonably possible, Landlord will restore the Premises on the land remaining to a complete unit of like quality and character as existed prior to such appropriation or Taking provided, however, that Landlord shall have no obligation to expend funds for such purpose beyond the amount awarded to Landlord by reason of the Taking; (b) the Annual Rental shall be reduced in proportion to the percentage decrease, if any, in the Rentable Area of the Premises by reason of the Taking: and (c) Landlord shall be entitled to receive the entire award for compensation in such proceedings. Tenant hereby waives any statutory rights of termination that may arise by reason of any partial Taking of the Premises under the power of eminent domain. Notwithstanding anything herein to the contrary, Tenant does not waive the right to make a separate claim against the entity exercising eminent domain for an award or payment on account of trade fixtures, equipment or other tangible property, moving expenses or loss of business.

ARTICLE 15. DEFAULTS

15.1 EVENTS OF DEFAULT. The occurrence of one or more of the following events shall constitute a default by Tenant under this Lease.

15.1.1 Failing or refusing to pay any amount of Annual Rental, Additional Rental, or any other monetary obligation owing by Tenant to Landlord hereunder, as and when due, where such failure shall continue for a period of five business (5) days after written notice thereof from Landlord to Tenant. Any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161;

15.1.2 The failure by Tenant to observe or perform any other express or implied covenants, obligations or conditions of this Lease to be observed

or performed by Tenant, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant. Any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161. If the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within said thirty (30) day period and thereafter diligently prosecute such cure to completion, which completion shall not occur later than sixty (60) days from the date of such notice from Landlord;

15.1.3 The vacation or abandonment of the Premises by Tenant. Abandonment is herein defined to include, but is not limited to, any absence by Tenant from the Premises for thirty (30) business days or longer while Tenant is in default under any other provision of this Lease; and/or

15.1.4 The making by Tenant of any general assignment for the benefit of creditors; or should there be filed by or against Tenant a petition to have Tenant adjudged a bankrupt or petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within thirty (30) days); or should an appointed trustee or receiver take possession of substantially all of Tenant's assets located at the Premises, or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or should substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease have been attached or judicially seized, where the seizure is not discharged within thirty (30) days.

15.1.5 Landlord does not waive any rights it has under Unlawful Detainer law, including but not limited to its rights to use the shortened discovery and trial procedures provided by Unlawful Detainer procedures.

15.2 REMEDIES UPON DEFAULT. Upon the occurrence of one or more of the foregoing events of default, and in addition to any other rights or remedies of Landlord provided by law or otherwise, without further notice or demand of any kind to Tenant or any other person, Landlord may, after receipt of an appropriate court order, either through unlawful detainer or other appropriate procedure, (a) without declaring this Lease terminated, re-enter the Premises and occupy the whole or any part thereof for and on account of Tenant; collect any unpaid rentals and other charges which have become payable, or which may thereafter become payable, and remove all persons and property from the Premises, and any such property so removed may be stored in a public warehouse or elsewhere at the cost of and for the account of Tenant; or (b) re-enter the Premises and elect to terminate this Lease and all of the rights of Tenant in or to the Premises. Landlord shall not be deemed to have terminated this Lease, or the liability of Tenant to pay any Annual Rental, Additional Rental, or other charges later accruing, by any re-entry of the Premises, or by any action in unlawful detainer or otherwise to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that it has so elected to terminate this Lease. Landlord has the remedy described in California Civil Code Section 1951.4 (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations).

15.3 ADDITIONAL REMEDIES UPON DEFAULT. In addition to any rights or remedies hereinbefore or hereinafter conferred upon Landlord under the terms of this Lease, the following remedies and provisions shall specifically apply in the event Tenant engages in any one or more of the acts contemplated by the provisions of Section 15.1.4 of this Lease.

15.3.1 In all events, any receiver or trustee in bankruptcy shall either expressly assume or reject this Lease within sixty (60) days following the entry of an "Order for Relief" or within such earlier time as may be provided by applicable law;

15.3.2 In the event of an assumption of this Lease by a debtor or by a trustee, such debtor or trustee shall within fifteen (15) days after such assumption (i) cure any default or provide adequate assurance that defaults will be promptly cured; (ii) compensate Landlord for actual pecuniary loss or provide adequate assurance that compensation will be made for actual pecuniary loss, including, but not limited to, all attorneys' fees and costs incurred by Landlord resulting from any such proceedings; and (iii) provide adequate assurance of future performance;

15.3.3 Where a default exists under this Lease, the trustee or debtor assuming this Lease may not require Landlord to provide services or supplies incidental to this Lease before its assumption by such trustee or debtor, unless Landlord is compensated under the terms of this Lease for such services and supplies provided before the assumption of such Lease;

15.3.4 The debtor or trustee may only assign this Lease if (i) it is assumed, (ii) adequate assurance of future performance by the assignee is provided, whether or not there has been a default

under this Lease, and (iii) the debtor or trustee has received Landlord's prior written consent pursuant to the provisions of Article 12 of this Lease. Any consideration paid by any assignee in excess of the rental reserved in this Lease shall be the sole property of, and paid to, Landlord;

15.3.5 Landlord shall be entitled to the fair market value for the Premises and the services provided by Landlord (but in no event less than the rental reserved in this Lease) subsequent to the commencement of a bankruptcy event;

15.3.6 Any security deposit given by Tenant to Landlord to secure the future performance by Tenant of all or any of the terms and conditions of this Lease shall be automatically transferred to Landlord upon the entry of an "Order of Relief"; and

15.3.7 The parties agree that Landlord is entitled to adequate assurance of future performance of the terms and provisions of this Lease in the event of an assignment under the provisions of the Bankruptcy Code. For purposes of any such assumption or assignment of this Lease, the parties agree that the term "adequate assurance" shall include, without limitations, at least the following:

(A) Any proposed assignee must have, as demonstrated to Landlord's satisfaction, a net worth (as defined in accordance with generally accepted accounting principle consistently applied) in an amount sufficient to assure that the proposed assignee will have the resources to meet the financial responsibilities under this Lease, including the payment of all rent. The financial condition and resources of Tenant are material inducements to Landlord entering into this Lease.

(B) Any proposed assignee must have engaged in the permitted use described in Article 5 hereof for at least five (5) years prior to any such proposed assignment.

(C) Any assumption of this Lease by a proposed assignee shall not adversely affect Landlord's relationship with any of the remaining Tenants or all or any portion of the City Property.

(D) Any proposed assignee must not be engaged in any business or activity which it will conduct on the Premises and which will subject the Premises to contamination by any Hazardous Materials.

15.4 TERMINATION OF LEASE. Should Landlord elect to terminate this Lease pursuant to the provisions above, Landlord may recover from Tenant, as damages, the following: (a) the worth at the time of award of any unpaid rental which had been earned at the time of the termination; plus rental which had been earned at the time of the termination; plus (b) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of rental loss Tenant proves could have been reasonably avoided; plus (c) the worth at the time of award of the amount by which the unpaid rental for the balance of the Term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; plus (d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligation under this Lease or which ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Landlord in (i) retaking possession of the Premises, including reasonable attorneys' fees therefor, (ii) maintaining or preserving the Premises after any default, or (iii) preparing the Premises for reletting to a new tenant, including repairs or alterations to the Premises. As used in Subsection (a) and (b) above, the "worth at the time of award" is computed by allowing interest at the maximum lawful rate. As used in Subsections (c) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank situated nearest to the location of the City property at the time of award plus one percent (1%).

15.5 DEFINITION OF RENTAL. For purposes of this Article only, the term "rental" shall be deemed to be the Annual Rental, Additional Rental and all other sums required to be paid by Tenant pursuant to the terms of this Lease.

15.6 WAIVER. No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such a right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent rent shall not constitute a waiver of any default. No act or conduct of Landlord, including, without limitation, the acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the term. Only a notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to, or approval of, any subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease.

15.7 DEFAULT BY LANDLORD. If Landlord shall fail to perform any covenant, term or condition of this Lease upon Landlord's part to be performed, Tenant shall have the right to notify Landlord to that effect, specifying the nature of Landlord's default. If Landlord shall fail to cure such default within thirty (30) days after receipt of such notice, or if the default is of such a character as to require more than thirty (30) days to cure, then if Landlord shall fail, within such 30 day period to commence and thereafter proceed diligently to cure such default, then and in either such event, Tenant may, in addition to its other legal remedies, cure such default for the benefit of Landlord only if the default requires an emergency repair to avoid impairment of the Tenant's use of the property as described in paragraph 1.8, and any sum so expended by Tenant (plus interest at the rate specified for delinquent rent hereunder) shall be payable by Landlord upon demand of Tenant. Tenant shall have the right to withhold, reduce or offset any amount against payments of Rent or any other charges due and payable under this Lease only after both (a) notice to Landlord, as set forth above and a failure by Landlord to cure the default, and (b) where the default requires an emergency repair to avoid impairment of the Tenant's use of the property as described in paragraph 1.8.

15.8 LANDLORD'S RIGHT TO PERFORM. If Tenant shall, after notice from Landlord, fail, within the time periods specified above, to make any payment required to be made by it under this Lease or shall default in the performance of any of Tenant's other obligations hereunder, Landlord, without being under any obligation to do so and without thereby waiving such default, may make such payment and/or remedy such other default and may charge Tenant for the reasonable cost thereof; provided, however, that, in the event that Tenant's failure to make such payment and/or remedy such default creates a condition which threatens imminent loss or damage to persons or property, notwithstanding the notice requirements of this Section, Landlord may make such payment and/or remedy such default to the extent necessary to avoid such emergency situation immediately and without notice to Tenant, but in such case Landlord shall, after its entry, give Tenant notice as soon thereafter as practicable, of the existence of such situation or condition and Landlord's intention or actions to remedy the same. Bills for any reasonable expense incurred by Landlord in connection therewith and for the payment of which Tenant is liable under this Section, including, without limitation, attorneys' fees and expenses (together with interest thereon at the rate which is the lesser of 1.5% per month or the maximum rate allowed by law from and including the respective dates of Landlord's making of each such payment or incurring each such expense), may be sent by Landlord to Tenant monthly, or immediately, at Landlord's option, and shall be due and payable in accordance with the terms of said bills, and if not paid when due the amount thereof shall immediately become due and payable as Additional Rent under this Lease.

ARTICLE 16. EXCULPATION OF LANDLORD

All property kept, stored or maintained on Tenant's Premises shall be so kept, stored or maintained at the sole risk of Tenant. Landlord shall not be liable and Tenant waives all claims against Landlord for damages to person or property sustained by Tenant or by any other person or firm resulting from the building in which the Premises are located or by reason of Tenant's Premises or any equipment located thereon becoming out of repair, or through the acts or omissions of any persons present in the City property or renting or occupying any part of the City property or for loss or damage resulting to Tenant or its property from burst, stopped or leaking sewers, pipes, conduits or plumbing fixtures, or for interruption of any utility services, or from any failure of or defect in any electric line, circuit or facility or any other type of improvement or service on or furnished to Tenant's Premises or resulting from any accident in, on or about Tenant's Premises or the building in which the Premises are located.

ARTICLE 17. NOTICES

Except as otherwise required by law, any notice, information, request or reply ("Notice") required or permitted to be given under the provisions of this Lease shall be in writing and shall be given or served either personally or by mail. If given or served by mail, such Notice shall be deemed sufficiently given if (a) deposited in the United States mail, certified mail, postage prepaid, or (b) sent by express mail, or other similar overnight service, provided proof of service is available, addressed to the addresses of the parties specified in the Basic Lease Provisions. Any Notice given or served by certified or overnight mail shall be deemed given or served as of the date of deposit. Either party may, by written notice to the other in the manner specified herein, specify an address within the United States for Notices in lieu of the address specified in the Basic Lease Provisions.

ARTICLE 18. END OF TERM

18.1 SURRENDER OF PREMISES. Upon the expiration of the Lease Term, or upon earlier termination thereof through the exercise of any option to terminate the Lease Term hereof granted to Landlord, or upon the re-entry of Landlord upon the Premises as herein provided for in this Lease (collectively, the "Surrender Date"), Tenant shall peaceably and quietly leave and yield up unto Landlord the entire Premises, including the Building, in good order, condition and repair, excepting therefrom normal wear and tear. Notwithstanding the exercise by either party of any option contained herein to terminate this Lease, any unsatisfied obligations of either party accruing on or prior to the Surrender Date shall survive the Surrender Date, unless excused as of the Surrender Date by the provisions elsewhere contained in this Lease.

18.2 HOLDING OVER. This Lease shall terminate without further notice upon the expiration of the Lease Term, and should Tenant hold over in the Premises beyond this date, the holding over shall not constitute a renewal or an extension of this Lease or give Tenant any rights under this Lease. In such event, Landlord may, in its sole discretion, treat Tenant as a tenant at will, subject to all of the terms and conditions in this Lease, except that the Annual Rental shall be an amount equal to one and one-half (1 ½) times the sum of the Annual Rental and Additional Rental which was payable for the twelve (12) month period immediately preceding the expiration of the Lease. In the event Tenant fails to surrender the Premises upon the expiration of this Lease, Tenant shall indemnify, protect, defend (with legal counsel reasonably acceptable to Landlord) and hold Landlord harmless from all loss and liability which may accrue therefrom, including, without limitation, any claims made by any succeeding tenant. Acceptance by Landlord of any Annual Rental or Additional Rental after the expiration or earlier termination of this Lease shall not constitute a consent to a hold over hereunder, constitute acceptance of Tenant as a tenant at will or result in a renewal of this Lease.

18.3 REMOVAL OF PROPERTY. Upon the Surrender Date, all alterations, additions and improvements to the Premises shall become the exclusive property of Landlord, unless at the time of its approval, the Landlord requests Tenant to remove the Alterations, additions and improvements placed thereon by Tenant. Tenant shall repair any damage to the Premises caused by such removal, and any and all such property not so removed shall, at Landlord's option, become the exclusive property of Landlord or be disposed of by Landlord, at Tenant's cost and expense, without further notice to or demand upon Tenant. All property of Tenant not removed within thirty (30) days after the last day of the Lease Term shall be deemed abandoned.

18.4 SURVIVAL. The provisions of this Article shall survive the Surrender Date.

ARTICLE 19. NONDISCRIMINATION

19.1 Tenant will not discriminate or permit discriminations against any person or class of persons by reason of race, color, creed, sex, orientation, national origin or other manner prohibited by law, including but not limited to the California Fair Employment and Housing Act and the Ridgecrest Municipal Code.

ARTICLE 20. MISCELLANEOUS

20.1 WAIVER. Any waiver by Landlord of a breach of a covenant of this Lease by Tenant shall not be construed as a waiver of a subsequent breach of the same covenant. The consent or approval by Landlord to anything requiring Landlord's consent or approval shall not be deemed a waiver of Landlord's right to withhold consent or approval of any subsequent similar act by Tenant. No breach by Tenant of a covenant of this Lease shall be deemed to have been waived by Landlord unless the waiver is in writing signed by Landlord.

20.2 RIGHTS CUMULATIVE. Except as provided herein to the contrary, the rights and remedies of Landlord specified in this Lease shall be cumulative and in addition to any other rights and/or remedies otherwise available, whether or not specified in this Lease.

20.3 ENTIRE AGREEMENT. It is understood that there are no oral or written agreements or representations between the parties hereto affecting this Lease, and that this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, agreements and understandings, if any, between Landlord and Tenant.

20.4 NO REPRESENTATION. Landlord reserves the absolute right to affect such other tenancies in the City property as Landlord, in the exercise of its sole business judgment, shall determine to best promote the interests of the City.

20.5 AMENDMENTS IN WRITING. No

provision of this Lease may be amended except by an agreement in writing signed by Landlord and Tenant.

20.6 NO OTHER RELATIONSHIP. Nothing contained in this Lease shall be construed as creating the relationship of principal and agent, partnership or joint venture between Landlord and Tenant.

20.7 LAWS OF CALIFORNIA TO GOVERN. This Lease shall be governed by and construed in accordance with the internal laws of the State of California. Venue in any legal action or proceeding arising from or related to this Lease shall be in the appropriate court for the County of Kern, California.

20.8 SEVERABILITY. If any provision of this Lease or the application of such provision to any person, entity or circumstances, is found invalid or unenforceable by a court of competent jurisdiction, such determination shall not affect the other provisions of this Lease and all other provisions of this Lease shall be deemed valid and enforceable. The parties hereto agree to negotiate in good faith to replace any illegal, invalid or unenforceable provision of this Lease with a legal, valid and enforceable provision that, to the extent possible, will preserve the economic bargain of this Lease, or otherwise to amend this Lease to achieve such result.

20.9 SUCCESSORS. Subject to the restrictions on assignment and subletting contained herein, all rights and obligations of Landlord and Tenant under this Lease shall extend to and bind the respective heirs, executors, administrators, and the successors, subtenants and assignees of the parties. If there is more than one Tenant or if Tenant is a partnership or other entity and the members of which are subject to personal liability, each shall be bound jointly and severally by the terms, covenants and agreements contained in this Lease.

20.10 WARRANTY OF AUTHORITY. If Tenant is a corporation or partnership, each individual executing this Lease on behalf of the corporation or partnership represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of the corporation or partnership, and that this Lease is binding upon the corporation or partnership. If Tenant is a corporation, the person executing this Lease on behalf of Tenant hereby covenants and warrants that (a) Tenant is a duly qualified corporation and all steps have been taken prior to the date hereof to qualify Tenant to do business in the State of California, (b) all franchise and corporate taxes have been paid to date, and (c) all future forms, reports, fees and other documents necessary to comply with applicable laws will be filed when due.

20.11 BROKERS. Tenant represents and warrants that it has not had any dealings with any realtors, brokers or agents in connection with the negotiation of this Lease except as may be specifically set forth in the Basic Lease Provisions and agrees to hold Landlord harmless from the failure to pay any realtors, broken or agents and from any cost, expense or liability for any compensation, commission or changes claimed by any other realtors, brokers or agents claiming by, through or on behalf of it with respect to this Lease and/or the negotiation hereof.

20.12 NO IMPLICATION OF EXCLUSIVE USE. Nothing contained in this Lease shall be deemed to give Tenant an express or implied exclusive right to operate any particular type of business on City property.

20.13 RECORDING. Tenant shall not record this Lease or any short form of this Lease. Tenant, upon request of Landlord, shall execute and acknowledge a short form memorandum of this Lease for recording purposes. Upon the expiration or earlier termination of this Lease for any reason, Tenant shall, within three (3) days of the date of request by Landlord, convey to Landlord by quitclaim deed any and all interest Tenant may have under this Lease.

20.14 INTEREST ON PAST DUE OBLIGATIONS. Unless otherwise specifically provided in this Lease, any amount due from either party to the other party under this Lease which is not paid when due and any amount due as reimbursement to the non-defaulting party for costs incurred by such non-defaulting party in performing obligations of the defaulting party upon the defaulting party's failure to so perform shall bear interest at the rate which is the lesser of 1.25% per month or the maximum rate allowed by law from the date originally due until paid.

20.15 FIXTURES, TRADE FIXTURES, PERSONAL PROPERTY AND ALTERATIONS. Tenant agrees to keep all of its fixtures, trade fixtures, furniture and equipment free of liens and shall not use the same as security in any loan arrangements. All fixtures, trade fixtures, signs and other personal property installed in or attached to the Premises by Tenant must be new when so installed or attached.

20.16 FORCE MAJEURE. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or

reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, shall excuse the performance by that party for a period equal to the prevention, delay or stoppage, except the obligations imposed with regard to Annual Rental and Additional Rental to be paid by Tenant pursuant to this Lease; provided that the party prevented, delayed or stopped shall have given the other party written notice thereof within thirty (30) days of such event causing the prevention, delay or stoppage. Notwithstanding anything to the contrary contained in this Section, in the event any work performed by Tenant or Tenant's contractors results in a strike, lockout and/or labor dispute, the strike, lockout and/or labor dispute shall not excuse the performance by Tenant of the provisions of this Lease.

20.17 ATTORNEYS' FEES. In the event Landlord or Tenant shall institute any action or proceeding against the other arising from or related to this Lease, or any default hereunder, the party not prevailing in the action or proceeding shall reimburse the prevailing party for the all costs and expenses, including reasonable attorneys' fees, incurred therein by the prevailing party, including without limitation, any fees, costs of disbursements incurred on any appeal and enforcement of a judgment from the action or proceeding.

20.18 OPTION TO RENEW. Tenant is hereby granted the option to extend the term of this Lease for the Renewal Terms described in the Basic Lease Provisions by giving notice of exercise of the option ("Option Notice") to Landlord at least ninety (90) days, but not more than one-hundred eighty (180) days, before the expiration of the Basic Term, or the then current Renewal Term, as the case may be; provided, however, that if Tenant is in default on the date of giving any such Option Notice or if Tenant has assigned or sublet the Premises, the Option Notice shall be totally ineffective, and provided further, that if Tenant is in default on the date that the Renewal Term would otherwise commence, such Renewal Term at the election of Landlord shall not commence and this Lease shall expire at the end of the Basic Term, or at the end of the then current Renewal Term, as the cause may be. Tenant shall have no other right to extend the term beyond the specific number of Renewal Terms described in the Basic Lease Provisions. During the Renewal Term(s), all of the terms and provisions contained herein shall apply.

20.19 SUBMISSION OF LEASE. Submission of this Lease does not constitute an offer to lease. The Lease shall become effective only upon (a) approval by Landlord’s city council, (b) execution and delivery thereof by Landlord and Tenant, and (c) Landlord's approval of a financial statement of Tenant, certified to be true and correct by Tenant.

20.20 INTENTIONALLY OMITTED

20.21 LIMITATION ON LIABILITY. In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord: (a) no council-member, officer, agent or employee of Landlord shall be sued or named as a party in any suit or action, or served with process, or required to answer or otherwise plead to any service of process, except to the extent required to bring Landlord under the jurisdiction of the applicable court, nor will any judgment be taken against any council-member, officer, agent or employee of Landlord. Any judgment taken against any council-member, officer, agent or employee of Landlord may be vacated and set aside at any time nunc pro tunc, and no writ of execution will ever be levied against the assets of any council member, officer, agent or employee of Landlord; and (b) the covenants and agreements contained within this Section shall inure to the benefit of and shall be enforceable by Landlord and any council member, officer, agent or employee of Landlord.

20.22 COMPLIANCE WITH LAWS. Tenant shall comply with all federal, state and local laws rules and regulations including, without limitation, those pertaining to Tenant’s business and operation, and those pertaining to hazardous substances and waste, clean water and clean air. In addition, Tenant shall comply with Landlord’s rules and regulations as amended from time to time.

20.23 COUNTERPARTS. This Lease may be executed in counterparts, all of which, when taken together, shall constitute a fully executed original.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first above written.

By execution hereof, each signatory certifies that this document has been approved by the party for which he/she is

signing, and that he/she is duly authorized to execute this document on behalf of such party.

City of Ridgecrest

By _____
Dennis Speer
Interm City Manager
Their Authorized Representatives

Waste Management of California, Inc.

By _____
Jim Morgan

Attest:

By _____
[Name]
Secretary

Approved as to form:

Lemieux & O'Neill

By _____
W. Keith Lemieux
City Attorney

Approved as to form:

Waste Management of California, Inc.

By _____
Gregory Constantino
Attorney

EXHIBIT A

LEGAL DESCRIPTION OF THE LEASED PREMISES AT 1521 NORTH CHINA LAKE BOULEVARD, RIDGECREST, CALIFORNIA

EXHIBIT B

PREMISES LOCATION - MAP

Area marked as "Lease Area" on the attached map depicts the Premises leased by Tenant.

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EXHIBIT “A”

THE FOLLOWING LEGAL DESCRIPTION IS FOR THE PURPOSE OF DESCRIBING A LEASE AREA. A NOT TO SCALE SKETCH IS ATTACHED AND LABELED EXHIBIT B, OF THE LEASE AREA.

DESCRIPTION:

BEING ALL THAT PORTION OF A PARCEL OF LAND LOCATED IN THE NORTHEAST QUARTER OF SECTION 28, TOWNSHIP 26 SOUTH, RANGE 40 EAST, M.D.B.M., IN THE CITY OF RIDGECREST, COUNTY OF KERN, STATE OF CALIFORNIA. SAID PARCEL OF LAND BEING DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID SECTION 28; THENCE SOUTH 0°08’39” EAST ALONG THE EASTERLY LINE OF SAID SECTION 28, A DISTANCE OF 995.10 FEET; THENCE SOUTH 89°51’21” WEST 30.00 FEET TO A POINT ON THE WESTERLY LINE OF CHINA LAKE BOULEVARD, AS SHOWN ON SAID TRACT 1771; SAID TRACT BEING RECORDED IN BOOK 9, PAGES 74 THROUGH 76, IN THE OFFICE OF THE COUNTY RECORDER OF SAID KERN COUNTY; SAID POINT BEING THE NORTHEAST CORNER OF SAID PARCEL AND THE “TRUE POINT OF BEGINNING”. THENCE, FROM THE “TRUE POINT OF BEGINNING”, SOUTH 89°51’21” WEST, 310.80 FEET TO A POINT ON THE EASTERLY BOUNDARY LINE OF TRACT 1771. THENCE, SOUTH 1°28’35” WEST, ALONG SAID EASTERLY LINE OF SAID TRACT 1771, 198.44 FEET; THENCE, SOUTH 89°53’13” EAST, 316.41 FEET, ALONG A LINE PARALLEL TO AND 100.00 FEET NORTH OF THE NORTH LINE OF GRAAF STREET AS SHOWN ON SAID TRACT 1771 TO A POINT ON THE WESTERLY LINE OF CHINA LAKE BOULEVARD; THENCE, NORTH 0°08’39” WEST, ALONG THE WESTERLY LINE OF CHINA LAKE BOULEVARD, 199.78 FEET BACK TO THE NORTHEAST CORNER AND THE “TRUE POINT OF BEGINNING”.

EXCEPTING THEREFROM:

THE SOUTHERLY 94 FEET OF THE WESTERLY 61 FEET OF SAID PARCEL OF LAND.

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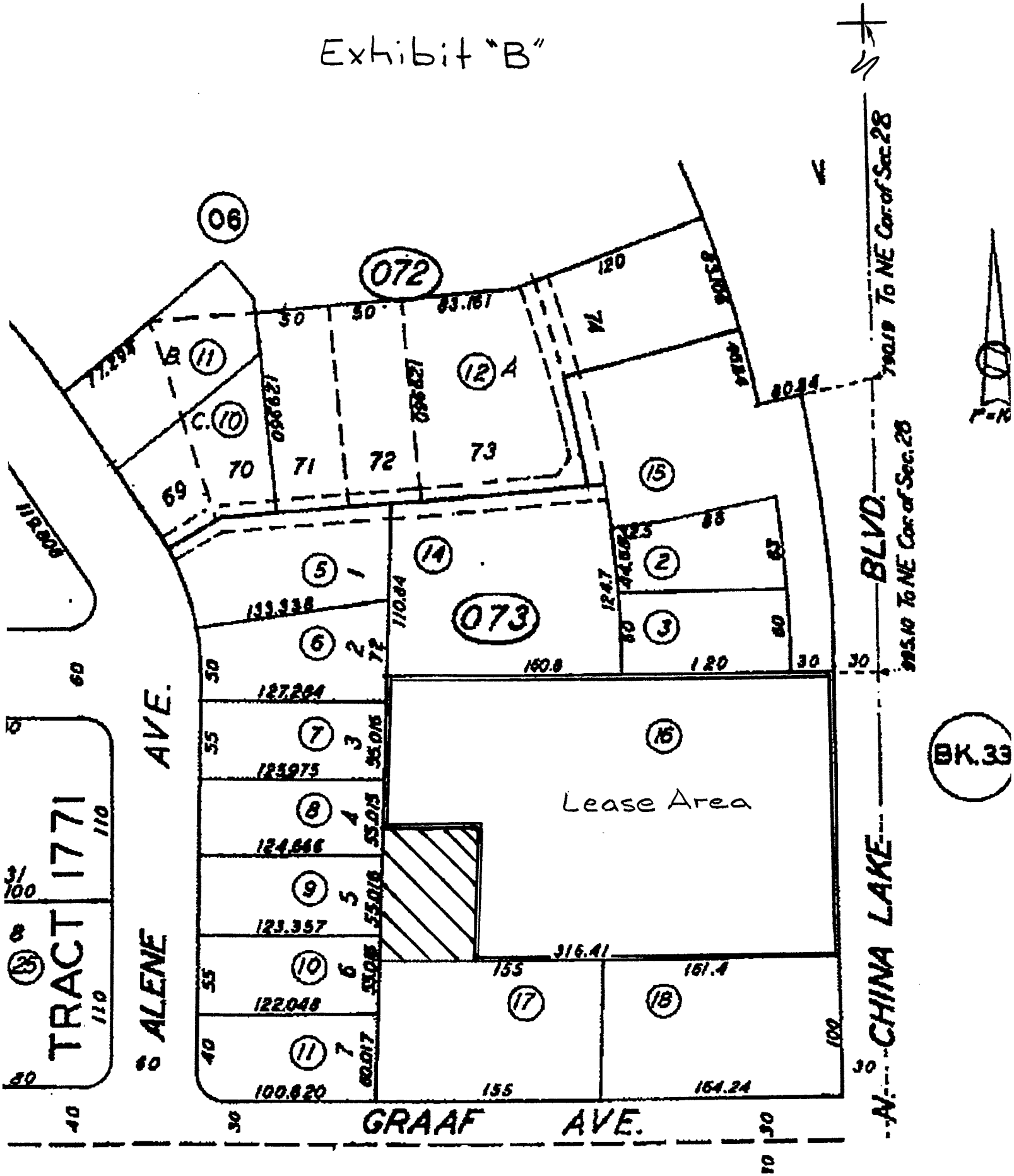
Exhibit "B"


06
072
073
Lease Area
TRACT 1771
ALENE AVE.
GRAAF AVE.
N. CHINA LAKE BLVD.
To NE Cor. of Sec. 28
BK. 33

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CITY COUNCIL/REDEVELOPMENT SUCCESSOR AGENCY
FINANCING AUTHORITY/HOUSING AUTHORITY AGENDA ITEM

SUBJECT:

A RESOLUTION OF THE RIDGECREST CITY COUNCIL APPROVING BY REFERENCE AND AUTHORIZING THE MAYOR TO EXECUTE AN AT-WILL AGREEMENT FOR CITY MANAGER SERVICES

PRESENTED BY:
Keith Lemieux – City Attorney

SUMMARY:

The position of City Manager was vacated August 16, 2012 as a result of the resignation of Kurt Wilson and has been operating under the direction of Interim City Manager Dennis Speer while staff has conducted a recruitment to fill the vacancy.

After extensive advertisement, interviews and background, and negotiations with one candidate, an at-will employment agreement has been accepted by the candidate. The agreement needs to be accepted by the City Council.

The Council has met in Closed Session to discuss the agreement, if the agreement is acceptable to the Council, the identity of the City Manager candidate will be announced before action is taken on this resolution.

It is recommended that the Ridgecrest City Council approve and adopt the City Manager agreement.

FISCAL IMPACT:

Reviewed by Finance Director

ACTION REQUESTED:
Approve resolution authorizing the Mayor to sign an at-will contract for city manager services

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested:

Submitted by: Keith Lemieux Action Date: April 17, 2013
(Rev. 2-14-07)

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RESOLUTION NO. 13-XX

A RESOLUTION OF THE RIDGECREST CITY COUNCIL APPROVING BY REFERENCE AND AUTHORIZING THE MAYOR TO EXECUTE AN AT·WILL AGREEMENT FOR CITY MANAGER SERVICES

The City Council of the City of Ridgecrest , California, hereby approves by reference and authorizes the Mayor to execute a multi-year, at-will agreement for City Manager services between the City of Ridgecrest and _____

APPROVED AND ADOPTED this 17th day of April, 2013 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

_____
Daniel O. Clark, Mayor

ATTEST:

_____
Rachel J. Ford, CMC
City Clerk

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/HOUSING AUTHORITY/FINANCING AUTHORITY AGENDA ITEM

SUBJECT: Approve A Resolution Of The Ridgecrest City Council Announcing Proclamations Prepared For The Month Of April

PRESENTED BY:
Rachel J. Ford, City Clerk

SUMMARY:

The Ridgecrest City Council receives requests for presentation of ceremonial proclamations for various events and observations. The resolution lists proclamations that have been processed and will be presented by mail.

1. *Department of Motor Vehicles – Donate Life Month*

To Be Presented via United States Mail to Erika Ospina Awad, Community Programs Supervisor, OneLegacy

FISCAL IMPACT: None
None
Reviewed by Finance Director

ACTION REQUESTED:
Approve resolution recognizing the month of April as Donate Life Month

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested: Approve resolution and authorize City Clerk to mail proclamation to representatives.

Submitted by: Rachel J. Ford Action Date: April 17, 2013
(Rev.6/12/09)

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RESOLUTION NO. 13-xx

A RESOLUTION OF THE RIDGECREST CITY COUNCIL ANNOUNCING PROCLAMATIONS PREPARED FOR THE MONTH OF APRIL 2013 AND SCHEDULED DATE OF PRESENTATION

The Ridgecrest City Council receives requests for presentation of ceremonial proclamations for various event and observations. The following proclamations have been processed and will be presented at location, date and time shown below:

Proclamation Titles

1. *Department of Motor Vehicles – Donate Life Month*

This Proclamation will be mailed to representatives of OneLegacy

APPROVED AND ADOPTED THIS 17th day of April 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

_____
Daniel O. Clark, Mayor

ATTEST:

_____
Rachel J. Ford, CMC
City Clerk

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A Proclamation of
The City Of Ridgecrest, California

Donate Life Month – April 2013

WHEREAS, organ, tissue, marrow and blood donation are life-giving acts recognized worldwide as expressions of compassion to those in need; and

WHEREAS, more than 116,000 individuals nationwide and more than 20,000 in California are currently on the national organ transplant waiting list, and every 90 minutes one person dies while waiting due to the shortage of donated organs; and

WHEREAS, the need for donated organs is especially urgent in Hispanic and African American communities and more than 600,000 units of blood per year are needed to meet the need in California and at any given time, 6,000 patients are in need of volunteer marrow donors; and

WHEREAS, a single individual's donation of the heart, lungs, liver, kidneys, pancreas and small intestine can save up to eight lives; donation of tissue can save and heal the lives of up to 50 others; and a single blood donation can help three people in need;

WHEREAS, millions of lives each year are saved and healed by donors of organs, tissues, marrow and blood and the spirit of giving and decision to donate are not restricted by age or medical condition; and

WHEREAS, nearly ten million Californians have signed up with the state-authorized Donate Life California Registry to ensure their wishes to be organ and tissue donors are honored and California residents can sign up with the Donate Life California Registry when applying for or renewing their driver's licenses or ID cards at the California Department of Motor Vehicles;

Now, therefore, be it proclaimed:

The City Council of the City of Ridgecrest does hereby proclaim that in recognition of National Donate Life Month, the month of April 2013 is hereby proclaimed "DMV/Donate Life California Month" in the City of Ridgecrest, and in doing so we encourage all Californians to check "YES!" when applying for or renewing their driver's license or I.D. card, or by signing up at www.donateLIFEcalifornia.org or www.doneVIDAcalifornia.org

Proclaimed April 17, 2013

Dan O Clark, Mayor

Jason Patin
Mayor Pro Tem

Marshall "Chip" Holloway
Vice Mayor

James Sanders
Council Member

Lori Acton
Council Member

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/HOUSING AUTHORITY/FINANCING AUTHORITY AGENDA ITEM

SUBJECT:
Minutes of the Regular City Council/Successor Redevelopment Agency/Housing Authority/Financing Authority Meeting of April 3, 2013

PRESENTED BY:
Rachel J. Ford, City Clerk

SUMMARY:

Draft Minutes of the Regular City Council/Successor Redevelopment Agency/Housing Authority/Financing Authority Meeting of April 3, 2013

FISCAL IMPACT:
None
Reviewed by Finance Director:

ACTION REQUESTED:
Approve minutes

CITY MANAGER 'S RECOMMENDATION:

Action as requested: Approve Draft Minutes

Submitted by: Rachel J. Ford Action Date: April 17, 2013
(Rev. 6-12-09)

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MINUTES OF THE REGULAR MEETING OF THE RIDGECREST CITY. SUCCESSOR AGENCY, FINANCING AUTHORITY, AND HOUSING AUTHORITY

City Council Chambers **April 3, 2013**
100 West California Avenue **5:30 p.m.**
Ridgecrest, California 93555

This meeting was recorded and will be on file in the Office of the City Clerk for a certain period of time from date of approval by City Council/Redevelopment Agency. Meetings are recorded solely for the purpose of preparation of minutes.

CALL TO ORDER

ROLL CALL

Council Present: Mayor Daniel O. Clark; Mayor Pro-Tem Jason Patin; Vice Mayor Marshall 'Chip' Holloway; Council Members James Sanders and Lori Acton

Staff Present: Interim City Manager Dennis Speer; City Clerk Rachel J. Ford; City Attorney Keith Lemieux; and other staff

APPROVAL OF AGENDA

- Revision to closed session – potential turned to City of Ridgecrest v Matasantos (California Department Of Finance)

Motion To Approve Agenda As Amended Made By Council Member Acton, Second By Council Member Holloway. Motion Carried By Voice Vote Of 5 Ayes; 0 Nays; 0 Abstain; 0 Absent.

PUBLIC COMMENT – CLOSED SESSION

- No Comments Presented

CLOSED SESSION

GC54956.9 (a)	Conference with Legal Counsel – Potential Litigation – Public Disclosure of Potential Litigant Would Prejudice the City of Ridgecrest.
GC54956.9 (b)	Conference with Legal Counsel – Existing Litigation – City of Ridgecrest v. Dale Howard
GC 54956.9 (b)	Conference with Legal Counsel – Liability Claim of Hi-Desert Construction et al. – Claim No. 13-01
GC54957	Personnel Matters – Public Employee Recruitment – City Manager
GC54957.6	Labor Negotiations – Confidential Group of Employees – Agency Negotiator Interim City Manager Dennis Speer

REGULAR SESSION – 6:30 p.m.

- Pledge Of Allegiance
- Invocation

CITY ATTORNEY REPORT

- Closed Session
  - Amended Agenda to change the title of undisclosed litigation to City of Ridgecrest v MATASANTOS – no reportable action
  - Ridgecrest v. Dale Howard – no reportable action
  - Hi-Desert construction – considered in closed session – rejected – City Clerk directed to send notice.
  - Labor Negotiations – no reportable action
  - Personnel Matters – City Manager recruitment – item to be placed on agenda April 17 for public matter
- Other
  - Report on MATASANTOS dispute between City and State related to dissolution of redevelopment.
  - Enforceable obligation presented and was rejected therefore City has filed litigation
  - Litigation petition for Writ Of Mandate filed asking court to direct the State to make finding of enforceable obligation

PUBLIC COMMENT

Betty Bumgarner

- Representing dollar rent-a-car rental service
- Announced shuttle services for out of town hospital visits or college visits
- Some insurances will cover the services
- Also rents equipment such as trucks and trailers
- Located at corner of China Lake Blvd and Inyokern road

Grant Hanson

- Unhappy with decision to close Pinney pool
- Base also shutting down one of their pools and remaining pools would be inadequate
- Related various teams that utilize the pool facility
- Recreational and exercise swimming
- Swim lessons generate revenue
- Negative impact on community greater than ball field shut down
- Offered solution of a year round facility highlighting suggestion that if City builds a year round facility the base will close all pools thereby providing all business to City.
- Reiterated indoor pool generating revenue and offered support.

Ray Hoffman

- Agrees with Mr. Hanson about the pool.
- Employed by Raytheon, president of swim team and a parent
- Pleads with Council to not close the pool.
- Used swim education to save a life once.
- Suggested if pool closes, it will not reopen.
- Leading cause of death for young children is drowning.
- Asked Council to find a way to keep the pool.

Doug Lueck

- Reported to Council of RACVB news.
- Tough Mudder event preliminary schedule for April 19-20, 2014.
    - Negotiations beginning now.
- Hi-Desert Racing Association for off-road vehicles in town this weekend.
    - RACVB engaged with event with filming and helicopters.
    - 300-400 rooms are booked.
    - Concerned with hotel room availability and have contacted restaurants to prepare with plenty of food.
- SNORE also coming and bringing worldwide travelers.

Harris Brokke

- Announced wildflower festival next weekend.
- Confident there will be wildflowers to see and encouraged community to support the event and vendors coming from out of town.

Unknown Speaker

- Asked Council not to close the pool for youth and seniors.
- Base pool is full so there is a need for the children to have a pool.

Albert Halman

- Been in community for 15 years
- Five children who were taught to swim in San Clemente and a grandson who learned to swim in Ridgecrest and is now on the swim team
- Valuable part of education and can be a matter of life or death
- Spoke on their life in San Clemente who closed their pool in the 1970's
- San Clemente promised they would close the pool with idea to build a new pool. Pool was closed but never built a new pool and population has increased.
- If Pinney Pool is closed before construction of another pool is begun, it will not happen and community will be without a pool and the education the young people need.
- Asked Council to consider the subject carefully and find a way to keep the pool open.

Chris Nicolson

- Property owner since 1958 and owns a rental property
- Reprehensible that City will spend money to have feasibility study for compliance to extend Sunland to Bowman when cannot fix current street.
- 533 Inyokern Road condemned and nothing done. Additionally tall weeds that create a hazard for residents.
- Asked about the shortfall in the gas tax.

Ken Amstar

- Attended several meetings and like the efforts to keep Pinney Pool open
- Asked Council to evaluate needs assessment such as roads, parks, etc. rather than revenue generation
- Goal of City government is to provide for the needs.
- Wide gap between an aquatic center and a bandage on existing pool, need to go in-between and look toward a 12-month indoor pool.
- Suggested adapting locker rooms and present facility.
- Suggested bubble structure rather than brand new building.

Heidi Castandale

- Supports the Pinney Pool and does not want to see it closed
- Recounted accomplishments of various swim teams

Tina Halterman

- Supports the Pinney Pool and does not want it to close.
- Related personal family experience with children and the pool
- Referred to the importance of young swimmers learning for safety and seniors for exercise.
- Worried that son would not be able to continue competitive swimming as he grows up.
- Asked Council to keep the pool open and possibly improve it.

Dave Matthews

- Supports keeping the pool open as long as possible.
- Salutations on Council's decision to sue the State, first step toward what was previously suggested.
- Mentioned events in town including the free April 12 at 6:00pm showing movie about the oppression against Catholic Church in Mexico in the 1920's. Seeing a tendency to do the same thing in this country. Invites community to attend.

Tony Small

- Supports Pinney Pool
- Spoke on competitive swimming for the youth
- Family activity for limited cost
- Fear that if the pool is closed will never open again.

Unknown speaker

- Supports keeping Pinney Pool open.
- Asked Council to give community a chance to work on solution.

Jimmy Brantley

- Chairman of Veterans Advisory Committee
- Spoke on the veteran's stand-down which provides unmet needs for local veterans
- Looking to reach out to Inyokern and Trona
- Asked for local community to support the veterans by offering services in this year's veteran's stand-down.
- Commented on what was offered throughout the past year.
- September 27, 2013 is date for next veteran's stand-down
- Meetings scheduled the 1st and 3rd meeting of each month at 6:30pm in City Hall.

Mike Neel

- Observation about the pool, support was for Pinney Pool, not an aquatics complex.
- Reiterated data about DUI checkpoints.
- Recounted local checkpoint information.
- Encouraged more saturation patrols that do not impede the average driver.

Terry Beyer

- Supports Pinney Pool and noted it is challenged to accommodate the number of functions requested each year.
- Spoke on successes of the girls swim team.
- Mentioned potential scholarships for local students that will disappear if the pool is closed.
- Supports youth and seniors who cannot all afford to pay for in-shape or who do not have access to the base pool.
- Asked Council to consider leaving the pool open.
- Some families may support an assessment district however there are people who do not utilize the pool and would not support taxes without proper education.

Jerry Taylor

- Family members have all been lifeguards
- Asked council to speak with the school district who pay utilities several months of the year.
- Asked council to consider community guidance and compared cost of cafeteria cash out for health benefits to employees who do not have insurance coverage.
- CalPERS is going up, can't take away benefit packages for current employees but strongly look at a multi-tier retirement plan.
- Between 30 years service retirement combined with Social Security employees will make more at 65 than their final salary as an active employee.
- Provide a package comparable to the other citizens of Ridgecrest.
- Mentioned Sunland is on Measure 'L' list.
- College heights is ½ mile death trap, bike path cut in half due to lack of funding.

Closed Public Comment at 7:35pm

PRESENTATIONS

1. **Eileen Shibley Of The Inyokern Unmanned Aircraft Systems (UAS) Committee Will Give A Presentation To The Council Of The UAS Program**

Clark

Eileen Shibley

- Gave PowerPoint presentation.
- Donations can be provided to Donna Hawker.
- Letters received the past few weeks have helped.

Dave Matthews

- Mentioned idea of unmanned mail delivery system and current ability of delivering packages with unmanned helicopters
- Commented on farmer already using a home built system to monitor property.

CONSENT CALENDAR

2. **Approve A Resolution Authorizing A Final Invoice And Balancing Change Orders, Authorizing The Interim City Manager To Sign The Notice Of Completion, Authorizing The City Clerk To File The Notice Of Completion And Authorizing The Release Of Retention On The Eastbound Lanes Of Drummond Avenue Project Between China Lake Boulevard And North Norma Street** **Speer**

3. **Approve A Resolution To Approve A Professional Services Agreement With, Quad Knopf Inc. For The Preliminary Engineering Of Sunland Drive From Upjohn Avenue To Bowman Road And Authorize The Interim City Manager To Execute This Agreement Contingent Upon The City Attorney's Review And Approval Of The Agreement** **Speer**

4. **Approve A Letter Of Support For The Creation Of An Innovation In Defense, Energy And Aerospace Hub (iDEA Hub) At The Inyokern Airport** **Speer**

5. **Approve A Resolution Of The Ridgecrest City Council Approving The Lease Agreement With Waste Management Of California, Inc. And Authorizing The Interim City Manager To Execute The Agreement** **Speer**

6. **Approve Draft Minutes Of The Regular Council Meeting Of March 20, 2013** **Ford**

Items Removed

- Item 5

Motion To Approve Consent Calendar As Amended Made By Council Member Patin, Second By Council Member Sanders. Motion Carried By Voice Vote Of 5 Ayes; 0 Noes; 0 Abstain; 0 Absent

Item 5 discussion

Dave Matthews

- Researched the property location mentioned in the lease agreement and questioned the zoning for that location.
- Asked if a variance has been placed on the operation.

Mike Neel

- Questioned if the surrounding businesses and residential properties have filed any complaints about odor from the trucks being parked at the location.

Item tabled to the next meeting on April 17, 2013

DISCUSSION AND OTHER ACTION ITEMS

7. Appointment to Personnel Commission — Clark

Lori Acton

- Nominated Sharon Gereau

COMMITTEE REPORTS

City Organization

Members: Dan Clark, Jim Sanders
Meeting: 3rd Tuesday of the Month at 5:00 P.M.; Council Conference Room
Next Meeting: April 16, 2013

Jim Sanders

- Announced next meeting

Community Development Committee

Members: Jason Patin, Chip Holloway
Meetings: 1st Thursday of the Month at 5:00 P.M.; Council Conference Room
Next Meeting: Cancelled

Jason Patin

- Plan on meeting in meeting.

Infrastructure Committee

Members: Dan Clark, Jason Patin
Meeting: 2nd Wednesday of the Month at 5:00 P.M., Council Conference Room
Next Meeting: April 10, 2013

Jason Patin

- Announced next meeting.

Quality Of Life

Members: Chip Holloway, Lori Acton
Meeting: 2nd Thursday of the Month at 5:00 P.M.; Kerr-McGee Center
Next Meeting: April 11, 2013 (Dark in June, July, December, and January)

Chip Holloway

- Will be discussing pool at the quality of life committee meeting.
- Announced next meeting

Lori Acton

- Asked community to bring information on what is needed to make Pinney Pool sufficient.

Activate Community Talents And Interventions For Optimal Neighborhoods Task Force (ACTION)

Members: Jim Sanders, Jason Patin
Meetings: 3rd Tuesday of the Month at 4:00 P.M., Kerr-McGee Center
Next Meeting: May 21, 2013

Jason Patin

- Next meeting date to be determined

Veterans Advisory Committee

Members: Jason Patin, Lori Acton
Meetings: 1st and 3rd Monday of the Month At 6:00 p.m., Council Conference Room
Next Meeting: April 8, 2013

Dan Clark

- Attended in the absence of Council Members Patin and Acton
- Introduced new logo for the veterans committee.
- Working on logo polo shirts for sale as a fund raiser.

Ridgecrest Area Convention And Visitors Bureau (RACVB)

Members: Jason Patin, Chip Holloway
Meetings: 1st Wednesday Of The Month, 8;00 A.M.
Next Meeting: May 1, 2013 at location to be announced

Chip Holloway

- Presented the RACVB Directors Report from today's meeting. *(Copy available in the City Clerk's Office)*
- Next meeting at Marriott Springhill Streets

OTHER COMMITTEES, BOARDS, OR COMMISSIONS

Dan Clark

- Asked for meeting dates of the youth advisory committee

Jason Patin

- Youth Advisory Committee is Friday in the Council Chambers

CITY MANAGER REPORT

Dennis Speer

- Moving toward budget hearings, requested dates April 22-30, 2013. Asked Council to pick 3 dates to hold hearings.
    - Lori Acton – asked for evening meetings and include a Saturday.
    - Jason Patin – will be there for any dates scheduled
    - Jim Sanders – no on the 24th, available the other dates
    - Chip Holloway – available anytime.
    - Dan Clark – suggested Thursday & Saturday all day. April 25 and April 27
    - Acton – keep Monday as placeholder if needed.

<u>Budget Hearing Dates:</u>

- April 25 6-9pm
- April 27 9-12am & 2-5pm
- April 29 reserve evening for adjournment if needed
    - Held in Council Chambers
    - Televised

MAYOR AND COUNCIL COMMENTS

Lori Acton

- Appreciated comments about the pool

Jim Sanders

- Thanked Eileen for efforts on the UAS program
- Appreciate comments on the pool. Council will take these into account during budget hearings.
- Would like to hold regular town hall meetings for the community. Suggested quarterly.

Chip Holloway

- Supports town hall meeting, participation is light unless there is a hot topic.
- Thanked Eileen and the China Lake Alliance for the support of the UAS program. Frustrated with the State of California for not being engaged in the efforts.

Jason Patin

- Participated in town hall meetings and attendance was poor. Suggested setting up individual meetings which usually have a better attendance.
- Supports a parks plan which includes the pool. Not ok with the options being presented right now that does not include a pool.
- Other factors pending that will affect the pool
- Asked community to get engaged with the discussions and provide ideas that can be brought before council.
- Hope to have budget completed by the end of the month. Tough decisions to be made and need to live within our means and forget about one time money.

Dan Clark

- Thanked Eileen for presentation on the UAS.
- Thanked other attendees
- Announced memorials for Rose Vargas and Diane Grattarotti
- Asked for survey of Measure 'L' from community perspective. Asked for council input on the process. Read suggested survey questions.
    - Jason Patin – input objection of community putting percentages of the budget to departments or measure 'l' functions.
    - Lori Acton – agrees with Jason, does not understand what good another survey will do since the numbers were already decided when Measure 'L' was drafted.
- Expectations for Measure 'L' did not happen due to circumstances, next year's priorities in the community may change.
    - Lori Acton – community elected council to make the decisions. Input received at the meetings is beneficial but do not see a benefit to this survey.
    - Jason Patin – do not recall definite money split ever being identified, just functions. Split is based on the need.
    - Jim Sanders – not sure how a survey such as this can get an accurate sampling of the community. Want public support at the meetings from those who do pay attention to the community.
    - Chip Holloway – Leary about rejecting information in any form but agree with the comments made. If going to do some kind of poll, suggest the chamber survey and also use the survey that was already performed for Measure 'L'. Not ready to move forward but not totally opposed to do some type of poll.
- Agree with fellow Council; only put this together on the suggestion of a few persons attending the meetings.
    - Jason Patin – not in favor of a survey related to the budget because most people do not understand the full budget.
    - Lori Acton – asked community to attend budget hearings. Also suggested getting down to basics with pennies in jars.
- Scrap the survey at this time due to lack of time to hold and evaluate the results.

- Encouraged public to attend the budget hearings and speak with Council Members to provide input.

ADJOURNMENT at 8:51 pm

_____
Rachel J. Ford, CMC, City Clerk

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CITY COUNCIL/REDEVELOPMENT AGENCY AGENDA ITEM

SUBJECT:
Presentation of Wastewater Rate Scenarios and Cost of Service Analysis
by Red Oak Consultants

PRESENTED BY:
Mark Hildebrand, Red Oak Consultants

SUMMARY:

Representatives from the consulting firm, Red Oak, the Management Consulting Practice of Malcolm Pirnie/ARCADIS, will be giving a power point presentation regarding the Wastewater Rate Scenarios and Cost of Service Analysis for the Wastewater Treatment Facility and the Sanitary Sewer Collection System.

FISCAL IMPACT: None

Reviewed by: Finance Director

ACTION REQUESTED: None

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested:

Submitted by: Dennis Speer Action Date: April 17, 2013
(Rev. 2-14-07)

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/FINANCING AUTHORITY/HOUSING AUTHORITY AGENDA ITEM

SUBJECT:
Discussion and direction on sewer rate analysis and cost of service analysis for sewer rate increase, and resolution stating intention to revise the City's sewer charges effective fiscal year 2013-14

PRESENTED BY:
Dennis Speer, Public Works Director

SUMMARY:

Background

The City's Sewer Rate Revenue is used to fund operations, maintenance and improvements of the City of Ridgecrest's wastewater treatment plant and the collection system. It also provides reserve funds intended for the new Wastewater Treatment Plant and other capital improvements.

On July 11, 2011, the City's rate consultant, Red Oak Consulting, presented the Wastewater Financial Plan. The consultant recommended that the City proceed with a proposed fee increase following ~~the~~ Proposition 218 guidelines. However, no action was taken.

Tonight the Council heard the consultant's presentation entitled Wastewater Rate Scenarios. This report is attached for reference.

Summary

The City of Ridgecrest prepares an annual analysis of the Sewer Enterprise Fund to evaluate the Fund's financial position and to determine whether or not sewer rates need to be increased. The recommended rates will increase the average single family residential charge from $10 to~~$18.78~~ $17.68 per month, a~~87.8%~~ 76.8% increase, which is equivalent to ~~$105.36~~ $212.20 per year. Commercial rates will increase by an average of ~~9%.~~108%. A Proposition 218 hearing is required before the City Council can ~~impose an~~ vote to increase ~~in~~ sewer rates. An authorizing resolution, approved by Council, directs the mailing of Proposition 218 Notices. The authorizing resolution sets rules for tabulating protests, proposes the rates and rate structure, and schedules a public hearing.

Discussion

As discussed above, the proposed rate increase will result in a~~87.8%~~ 76.8% increase in the average single family residential customer's bill.

At tonight's meeting, staff requests that the Council approve the authorizing resolution directing the mailing of the Proposition 218 Notices and scheduling the public hearing for June 5, 2013.

FISCAL IMPACT: None

Reviewed by Finance Director

ACTION REQUESTED:
That the City Council approve the Rate Analysis Report attached to this report, adopt the Cost of services Analysis, and approve the authorizing resolution stating the City's intentions to increase Sewer Rates effective fiscal year 2013-14 and scheduling the public hearing on the proposed the rate structure.

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested:

Submitted by: Dennis Speer Action Date: April 17, 2013

(Rev. 02/13/12)

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RESOLUTION NO. 13-XX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIDGECREST STATING ITS INTENTION TO REVISE THE CITY'S SEWER CHARGES EFFECTIVE TAX YEAR 2013-14

WHEREAS, the City of Ridgecrest levies charges for sewer services pursuant to Section 3-10 of the Ridgecrest Municipal Code and pursuant to Section 5470 *et seq.* of the California Health &
Safety Code; and,

WHEREAS, the City Council desires to conduct proceedings to revise the rate and methodology
for the sewer charges, to be effective beginning in the 2013-14 tax year.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ridgecrest that:

1. The foregoing recitals are all true and correct.
2. The City Council approves the Rate Analysis Report.
3. The City Council adopts the Cost of Service Analysis.
4. The City Council proposes the imposition of the rates and methodology generally described in Exhibit "A" to this Resolution, which is incorporated herein by reference.
5. On June 5, 2013, at 6:00 PM or as soon thereafter as may be practicable in the City Council Chambers located at 100 West California Ave., Ridgecrest, CA, the City Council will hold a public hearing pursuant to Article XIIID of the California Constitution with respect to the proposed rates. At this hearing, all interested persons will be permitted to present oral and written testimony with respect to the proposed rates and methodology.
6. The City Council further directs staff to give notice of the hearing in the manner required by law.
7. The City will accept and tabulate protests against the proposed rate revision pursuant to the procedures set forth in Exhibit "B" to this Resolution, which is incorporated herein by reference.

APPROVED AND ADOPTED this 17th day of April 2013 by the following vote.

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Daniel O. Clark, Mayor

ATTEST:

_____
Rachel J. Ford, CMC, City Clerk

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Tables for Exhibit A of Staff Report

Monthly Sewer Availability Charge - Residential Accounts					
	2014	2015	2016	2017	2018
Single Family Residential	$17.68	$26.53	$27.32	$28.14	$28.98
Multi-Family Residential	$15.42	$23.13	$23.82	$24.54	$25.27
Mobile Homes	$13.15	$19.73	$20.32	$20.93	$21.56

Sewer Availability Charge					
	2014	2015	2016	2017	2018
Annual Fixed Fee*	$212.20	$318.30	$327.85	$337.69	$347.82
Volumetric Charge (per hundred cubic feet)**					
Auto: Repair Shop and Service Station	$1.75	$2.62	$2.70	$2.78	$2.87
Auto: Steam Cleaning	$3.75	$5.63	$5.80	$5.97	$6.15
Bakery and Food Preparation	$2.70	$4.05	$4.17	$4.30	$4.43
Bars w/o Dining Facilities	$1.64	$2.46	$2.54	$2.61	$2.69
Car Wash	$1.46	$2.20	$2.26	$2.33	$2.40
Commercial & Institutional - Other	$1.45	$2.18	$2.25	$2.31	$2.38
Department and Retail Store	$1.54	$2.31	$2.38	$2.45	$2.52
Hospital and Convalescent	$1.52	$2.28	$2.35	$2.42	$2.50
Hotel with dining facilities	$2.41	$3.62	$3.72	$3.84	$3.95
Hotel/Motel without dining	$1.59	$2.38	$2.45	$2.53	$2.60
Institutional and Professional: Restrooms Only	$1.42	$2.14	$2.20	$2.27	$2.33
Laundromat	$1.48	$2.22	$2.29	$2.35	$2.43
Laundry: Commercial	$1.85	$2.77	$2.85	$2.94	$3.03
Laundry: Industrial	$2.63	$3.94	$4.06	$4.18	$4.31
Market with Garbage Grinders	$2.88	$4.32	$4.45	$4.59	$4.72
Mortuary	$2.88	$4.32	$4.45	$4.59	$4.72
Restaurant	$2.70	$4.05	$4.17	$4.30	$4.43
Soft Water Service	$1.31	$1.97	$2.03	$2.09	$2.15
China Lake Naval Air Weapons Station	$1.87	$2.81	$2.89	$2.98	$3.07

*The annual fixed fee includes the first 71 hundred cubic feet of water flow per year.

** Based on 80% of potable water consumption to account for water not returned to the sewer.

MALCOLM PIRNIE

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EXHIBIT B

GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS

Submission of Protests

1. Any property owner may submit a written protest to the City Clerk, either by delivery to the office of the City Clerk or by submitting the protest at the public hearing. Protest must be received by the end of the public hearing. No postmarks will be accepted.
2. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of the record property owner. Email protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed charges.
3. If a parcel served by the City is owned by more than a single record owner, each owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid a protest must bear the original signature of the record owner with respect to the property identified on the protest. Protests not bearing the original signature of a record owner shall not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
6. A charge protest proceeding is not an election.
7. To ensure transparency and accountability in the charge protest tabulation, protests shall constitute disclosable public records from and after the time they are received.

Tabulation of Protests

1. The City Clerk shall determine the validity of all protests. The City Clerk shall not accept as valid any protest if the City Clerk determines that any of the following exist:
   a) The protest does not identify a property served by the City.
   b) The protest does not bear an original signature of a record owner of the parcel identified on the protest.
   c) The protest does not state its opposition to the proposed charges.
   d) The protest was not received by the City Clerk before the close of the public hearing on the proposed charges.
   e) A request to withdraw the protest is received prior to the close of the public hearing on the proposed charges.
2. The City Clerk's decision that a protest is not valid or does not apply to a specific charge shall constitute a final action of the City and shall not be subject to any internal appeal.
3. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of a majority of the properties subject to the proposed charge.
4. At the conclusion of the public hearing, the City Clerk shall complete the tabulation of all protests received, including those received during the public hearing and shall report the results

of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the parcels served by the City with respect to the charge which is the subject of the protest, then the Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING ON PROPOSED SEWER RATES

Hearing Date & Time:
June 5, 2013 6:00PM
Hearing Location:
City Council Chambers
100 California Ave, Ridgecrest, CA 93555

Why are you receiving this notice?

This notice is being provided to you by the City of Ridgecrest ("City") pursuant to the terms of California Constitution Article XIIID (also known as "Proposition 218"). The City is required to notify property owners of proposed changes to property-related fees, such as the City's Sewer Availability Charge.

Why is a rate adjustment necessary?

All revenue generated from the City's Sewer Availability Charge is used exclusively to operate and maintain the City's sewer systems; it is not used for other general government purposes. The proposed rate adjustment is necessary to keep pace with inflation as well as to meet the increasing costs of providing sewer services. It is worth noting that sewer rates have ***not been increased since 1996*** and that the City's current rates are approximately ***one third of the regional average***. The proposed adjustments will bring Ridgecrest's rates in-line with the regional average by 2015.

How are the rates calculated?

The City recently completed a comprehensive financial planning and cost-of-service project. This analysis examined the cost of providing sewer services and developed rates that would generate sufficient revenues in a fair and equitable manner.

Written protests on the proposed increase in the monthly sewer service charge may be mailed or delivered to the City Clerk at 100 W California Avenue, Ridgecrest, CA 93555. Written protests must identify the owner(s) of the property or properties, the address of the property or properties (by assessor's parcel number or street address), and the signature of the record property owner. Protests must be received prior to the close of the Public Hearing on June 5th, 2013. Email protests will not be accepted. If written protests are presented by owners from a majority of parcels, the City Council cannot approve the increase.

Proposed Sewer Availability Charges

The City is proposing the following rates over the next 5 years:

Residential Sewer Rates (per month)

	2014	2015	2016	2017	2018
Single Family Residential	$17.68	$26.53	$27.32	$28.14	$28.98
Multi-Family Residential	$15.42	$23.13	$23.82	$24.54	$25.27
Mobile Homes	$13.15	$19.73	$20.32	$20.93	$21.56

Commercial customers have an annual fixed fee in addition to volumetric rates, which are calculated based on actual potable water flows which are multiplied by a unit charge based on typical sewer strengths of respective commercial customer classes. These proposed fixed and volumetric rates are presented in the table below.

Commercial Sewer Rates

	2014	2015	2016	2017	2018
Annual Fixed Fee*	$212.20	$318.30	$327.85	$337.69	$347.82
Volumetric Charge (per hundred cubic feet)**					
Auto: Repair Shop and Service Station	$1.75	$2.62	$2.70	$2.78	$2.87
Auto: Steam Cleaning	$3.75	$5.63	$5.80	$5.97	$6.15
Bakery and Food Preparation	$2.70	$4.05	$4.17	$4.30	$4.43
Bars w/o Dining Facilities	$1.64	$2.46	$2.54	$2.61	$2.69
Car Wash	$1.46	$2.20	$2.26	$2.33	$2.40
Commercial & Institutional - Other	$1.45	$2.18	$2.25	$2.31	$2.38
Department and Retail Store	$1.54	$2.31	$2.38	$2.45	$2.52
Hospital and Convalescent	$1.52	$2.28	$2.35	$2.42	$2.50
Hotel with dining facilities	$2.41	$3.62	$3.72	$3.84	$3.95
Hotel/Motel without dining	$1.59	$2.38	$2.45	$2.53	$2.60
Institutional and Professional: Restrooms Only	$1.42	$2.14	$2.20	$2.27	$2.33
Laundromat	$1.48	$2.22	$2.29	$2.35	$2.43
Laundry: Commercial	$1.85	$2.77	$2.85	$2.94	$3.03
Laundry: Industrial	$2.63	$3.94	$4.06	$4.18	$4.31
Market with Garbage Grinders	$2.88	$4.32	$4.45	$4.59	$4.72
Mortuary	$2.88	$4.32	$4.45	$4.59	$4.72
Restaurant	$2.70	$4.05	$4.17	$4.30	$4.43
Soft Water Service	$1.31	$1.97	$2.03	$2.09	$2.15
China Lake Naval Air Weapons Station	$1.87	$2.81	$2.89	$2.98	$3.07

*The annual fixed fee includes the first 71 hundred cubic feet of water flow per year.

** Based on 80% of potable water consumption to account for water not returned to the sewer.

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City of Ridgecrest

Comprehensive Wastewater Rate Study

DRAFT FOR STAFF REPORT

April 14, 2013

Report Prepared By:

REDOAK CONSULTING
an ARCADIS group

For:

EST. 1968
PROVOST & PRITCHARD
CONSULTING GROUP
An Employee Owned Company

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LIST OF ACRONYMS

BOD	Biochemical Oxygen Demand
CIP	Capital Improvement Plan
FY	Fiscal Year
DSC	Debt Service Coverage
GPDU	Gallons per Day per Unit
HCF	Hundred Cubic Feet (equal to 748 gallons)
NAWS	China Lake Naval Air Weapons Station
LACSD	Los Angeles County Sanitation District
MFR	Multi-Family Residential
MG	Million Gallons
MGY	Million Gallons per Year
MOU	Memorandum of Understanding
O&M	Operation and Maintenance
R&R	Repair and Replacement
SFR	Single Family Residential
SWRCB	State Water Resources Control Board
TSS	Total Suspended Solids
WWTP	Wastewater Treatment Plant

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1. Introduction

1.1. Introduction

The City of Ridgecrest (City) retained Red Oak Consulting, through Provost & Pritchard Consulting Group, to conduct a comprehensive wastewater rate study. This report includes the five-year Wastewater Financial Plan, cost-of-service analysis, rate design, and rate recommendations.

1.2. System Overview

The City owns and operates wastewater collection, treatment, and disposal facilities serving its residents and businesses, as well as the China Lake Naval Air Weapons Station (NAWS). The existing City wastewater treatment plan (WWTP) is located approximately 3.5 miles northeast of the center of the City, within the NAWS. The fact that the existing WWTP site is located on NAWS property means that the land is owned and controlled by the U.S. Navy. The City has been operating this WWTP at the NAWS site since 1974 and it provides sufficient capacity to treat both the City and NAWS current flows.

1.3. Study Objectives and Background

The purpose of this document is to make recommendations regarding the appropriate user rates ("Sewer Availability Charge") for wastewater services to support both operational and repair/replacement spending in the near term and financially prepare for future capital programs such as replacing the existing WWTP. The City's last sewer rate study was conducted in 1994 and most rates have not been adjusted since that time[1]. As a result of modest revenue, the City has deferred repair and replacement ("R&R") activities at both the WWTP and for its sewers. The City may need to build a new WWTP to provide additional capacity to serve future City growth. The planning process for that WWTP is underway[2] but a final decision has not been made.

1.4. Rate Study Process

A sewer rate study includes three distinct steps. As a first step, the total annual expenditures are identified in order to understand the rate revenue. Next, the cost-of-

[1] A minor adjustment was made to mobile home rates in the late nineties.
[2] See Provost and Pritchard's draft Facility Plan, dated June 6, 2011.

service analysis develops an equitable method of recovering the revenue requirements from each respective customer class. Finally, the "rate design" is completed in order to determine how, exactly, those revenues will be collected from each respective customer class.

Consistent with the steps described above, this report contains the following sections:

- **Current Rates and Survey** – We begin by describing the City's existing sewer rates and how they compare to regional, peer sewer utilities.
- **Financial Plan** – Describes the assumptions and findings of Red Oak's revenue sufficiency forecast model.
- **Cost-of-Service Analysis** – Describes the methodology and assumptions used to allocate costs equitably across customer classes.
- **Rate Recommendations** – Based on the revenue sufficiency analysis and cost-of-service analysis, recommendations are made for sewer rates for fiscal year 2014 (FY 2014) through FY2018.

1.5. Reliance on City Provided Data

During the course of this project, the City provided Red Oak with information from planning documents and both audited and unaudited financial results, including customer, cost and revenue data. While Red Oak was actively engaged with the City to ensure that the best financial data was being used, Red Oak did not independently assess or test for the accuracy of such data – historic or projected. We have relied on this data in the formulation of our findings and subsequent recommendations, as well as in the preparation of this report.

As is often the case, there will be differences between actual and projected data, and some of the assumptions used in this report will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the data or results projected in this report and actual results achieved and those differences may be material.

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2. Current Sewer Rates and Regional Survey

The following sections describe the City's current Sewer Availability Charge and how those rates compare to similar sewer utilities in the region.

2.1. Existing Sewer Availability Charge

The existing Sewer Availability Charge have largely been in effect since 1996 and have the following structure:

- Single family residential (SFR) dwelling and multi-family residential (MFR) dwelling accounts pay a flat annual charge per dwelling unit.
- Mobile home dwelling accounts pay a flat annual charge per space in the park, plus a volumetric rate based on the previous year's water consumption.
- Non-residential ("Commercial") accounts pay an annual charge which is a function of the previous year's water consumption and two strength factors; biochemical oxygen demand (BOD) and total suspended solids (TSS). The strength factors are assigned to each respective account based on the type of business that is conducted.

Table 1 summarized current year Sewer Availability Charge for all customer classes.

Table 1 – Current Annual Sewer Availability Charge

	Fixed Fee (per unit)	Volumetric Fee (per unit)	Biochemical Oxygen (BOD)	Total Suspended (TSS)
Single Family Residential	$120.00	NA	NA	NA
Multi-family Residential	$96.00	NA	NA	NA
Mobile-Homes	$74.00		NA	NA
Non-Residential	$120 (minimum charge)	$\frac{\text{Flow X 49\% X \$120}}{\text{250 gals}}$	$\frac{\text{Flow X 25.5\% X \$120}}{\text{150 mg/L}}$	$\frac{\text{Flow X 25.5\% X \$120}}{\text{150 mg/L}}$

Currently the City collects the Sewer Availability Charge on an annual basis via the County Treasurer and Tax Collector's property tax bill. Certain non-residential accounts receive "hand bills" from the City.

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2.2. Rate Survey

A regional sewer service charge survey was conducted of the following seven (7) agencies, in addition to Ridgecrest:

- City of Bakersfield ("Bakersfield")
- City of Barstow ("Barstow")
- City of Lancaster ("Lancaster")
- Rosamond Community Services District ("Rosamond")
- City of Victorville ("Victorville")
- City of Visalia ("Visalia")
- City of Wasco ("Wasco")

All of the surveyed agencies assess their sewer service charge on a monthly basis except for Ridgecrest and Bakersfield, who assess their charges annually. All of the agencies surveyed with the exception of Lancaster assess a single sewer service charge for both collection and treatment services. Lancaster provides sewage collection services, while sewage treatment services are provided by the Los Angeles County Sanitation District (LACSD): therefore the services are charged separately. Table 2 summarizes the findings of the survey, by presenting the respective monthly sewer service charges for single family residential accounts.

Table 2 – Monthly Sewer Service Charge by Agency

Single Family Residential (SFR) Accounts

Agency	Monthly Sewer Fee
Ridgecrest	$10.00
Bakersfield	17.08
Visalia	23.78
Wasco	25.50
Barstow	26.45
Victorville	27.43
Rosamond	36.50
Lancaster(1)	38.89

(1) Includes Los Angeles County Sanitation District charge

Figure 1 presents the same information in bar chart format.

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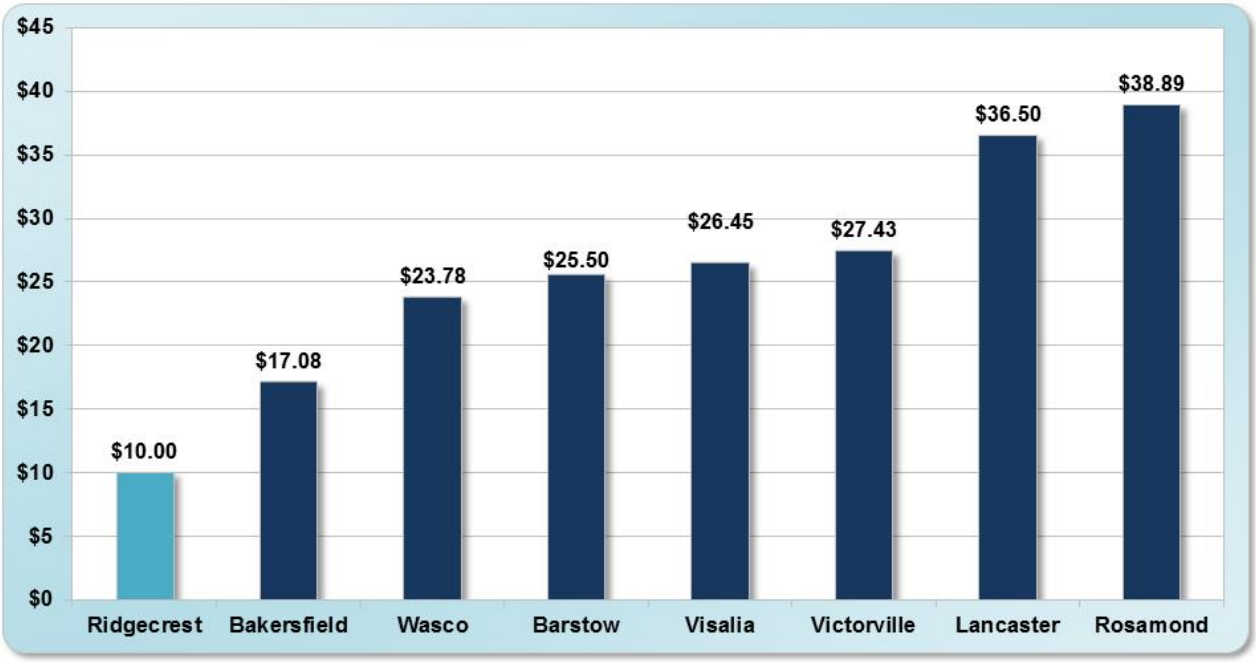
Figure 1 – Survey: Monthly Sewer Service Charge to SRF Accounts



This survey demonstrates that the City has a comparatively low sewer service charge. In fact, the City's service charges are 41% lower than the next lowest agency and 64% lower than the average, which is $27.95. Without a rate adjustment at Ridgecrest, this discrepancy is expected to continue to grow as many agencies increase their rates annually to at least match market inflation.

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3. Wastewater Financial Plan

The following financial plan establishes the level of Sewer Availability Charge revenue that would be needed to:

1. Fund the utility's annual expenses, such as:
    - Operation and maintenance (O&M)
    - Capital costs
    - Debt service (if applicable)
2. While maintaining financial performance requirements, including:
    - Reserve targets (see Section 3.6.1)
    - Debt service coverage (DSC) ratio targets (see Section 3.3)

3.1. Utility Accounts and Use

The City currently serves approximately 9815 wastewater accounts, which are divided into residential and non-residential customer classes. Non-residential includes commercial, institutions, industry, and military accounts. Residential accounts are further divided into single family residential (SFR), multi-family residential (MFR) and mobile homes. Table 3 summarizes the number of each type of account.

Table 3 – Wastewater Service Accounts

Account Type	Number of Accounts	Number of Units
Single Family Residential	7738	(same)
Multifamily Residential	1312	3144
Mobile Homes	15	861
Commercial	749	(same)

The NAWS is the City's largest customer, typically comprising of between 25% and 35% of annual wastewater flows. NAWS is treated as a non-residential account, with the fee being based on the volume of metered sewage.

3.2. Growth Assumptions

Future Sewer Availability Charge revenue will be affected, in part, on the rate of real estate development within the wastewater service area. The City population is closely tied to NAWS operations and growth. As a consequence, City population growth has been somewhat erratic, rising and falling with NAWS expansions or cut backs. The timing and significance of population spurts in the City cannot be forecast dependably; however, long term growth projections can still be made.

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In 2010, the City's population was about 28,013 according to the U.S. Census Bureau's 2010 census. This population includes only those residing within the corporate limits of the City. The China Lake NAWS had a 2010 population of 2,440, yielding a total service area population of 30,453. The addition (or elimination) of new jobs at NAWS has a "multiplier" effect on the population, both because many NAWS personnel relocate with their families and also because of the economic stimulation. Since the City's growth is so closely tied to the activity of the NAWS, the projection of the City's population is particularly challenging. . As such, for purposes of projecting future changes to the rate-payer base, we have adopted county-level population forecasts. The Kern Council of Governments has estimated a growth rate for the Ridgecrest area of 1.8 percent annually[3]. Using these population projections, the total service area population will be approximately 35,926 in 2020, as shown in Table 4.

Table 4 – Historical and Projected Population for the City of Ridgecrest

Year	Population	Annual Percent
1985	21,700 [a]	na
1990	27,600 [a]	na
1995	27,900 [a]	na
2000	24,927 [b]	na
2001	25,219 [b]	1.2%
2002	25,533 [b]	1.2%
2003	25,587 [b]	0.2%
2004	25,842 [b]	1.0%
2005	26,666 [b]	3.2%
2006	26,515 [b]	-0.6%
2007	27,944 [b]	5.4%
2008	28,631	2.5% [d]
2009	29,335	2.5% [d]
2010	30,056 [c]	2.5% [d]
	(forecast)	
2015	32,860	1.8%
2020	35,926	1.8%
2025	39,278	1.8%
2030	42,942	1.8%
2035	46,949	1.8%
2040	51,329	1.8%
2045	56,118	1.8%
2050	61,354	1.8%

[a] California Department of Finance population data, as referenced in 2008 Carollo Report.

[b] California Department of Finance, Demographic Research Unit - City/County Population and Housing Estimates, 2000-2007 (City of Ridgecrest only; does not include NAWS population).

[c] U.S. Census Bureau, 2010 Census for City of Ridgecrest and China Lake NAWS.

[d] Annual percent growth not a real value. Calculated based on perceived growth between 2007 and 2010, however 2007 population does not include NAWS population and 2010 population value does.

[3] Kern Council of Governments, *Final Regional Growth Forecast Report*, October 2009

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3.3. Current Balance

Based on the City's Published FY2013 budget, the beginning balance on July 1, 2012 for the Sewer Enterprise was $3,797,819, which is down significantly from $10,861,875 in FY 2009.

3.4. Enterprise Revenue

The following presents the wastewater enterprise's revenue sources and their historical trends.

3.4.1. Sewer Availability Charge

As described in Section 2.1, the Sewer Availability Charge is the principal source of revenue for the wastewater enterprise. Residential accounts are charged a flat annual fee, with the addition of a volumetric fee for mobile homes. Non-residential accounts are assessed a fixed fee and volumetric fee based on flow and estimated sewer strength. Sewer Availability Charges are imposed on all residential accounts regardless of occupancy.

3.4.2. Miscellaneous Revenues

The wastewater enterprise has additional miscellaneous revenue sources. Hay is grown and sold as part of the WWTP operation and typically generates approximately $10,000 per year. Interest is gained on invested cash reserves and thus earnings are a function of the cash balance. Going forward, we have assumed an interest earnings rate of 1.05%[4].

3.5. Expenditures

The sewer utility's current and forecasted costs have been divided into two types of expenditures: O&M and capital.

3.5.1. Operation & Maintenance Expenses

Table 5 shows current year budgeted O&M expenditures organized in cost categories. The five-year historical trend of these costs is not shown since recent changes in accounting practices and staffing levels detracts from the value of the information. Projected O&M expenditures have been based on this budget and have been adjusted by an inflation rate of 4% for all O&M line-items over the study period.

[4] Per Rachelle McQuiston, March 28, 2013

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Table 5 – Budget by Cost Categories

Category	FY 13/14 Budget
Salaries/Benefits	$709,808
Services/Charges	$400,760
Materials/Supplies	$69,950
Public Works Support & Risk Mngnt	$446,861
Financial and Admin Support	$90,851
Total	**$1,718,230**

Table 6 shows a different break-down of the same budget. In this case the budget is organized into sewer enterprise's respective accounts.

Table 6 – Budget by Account

Account	FY 13-14 Budget
Wastewaster Adminstration	$343,145
Collection System	$65,150
Treatment	$846,824
Reclamation	$16,250
Transfers	$446,861
Total	**$1,718,230**

The largest line-items in both break-downs are the transfers. The transfers break-down as shown in Table 7.

Table 7 – Summary for Transfers Out

Overhead Transfer Type	FY 11-12 Budget
General Overhead Transfer to City	$255,664
Overhead Transfer to Public Works	$96,493
Insurance Costs Transfers to Risk Allocation	$94,704
Total	**$446,861**

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3.5.2. Capital

Capital spending is generally divided into two project categories; R&R projects and growth-related projects. R&R projects are related to repairing or replacing existing system assets. Such projects benefit current system customers. Growth-related projects expand or add system capacity to serve future customers and should be paid for through the City's impact fee revenues.

According to the City's draft Facility Plan, the existing WWTP as well as the sewer collection system, is very old and is in need of significant repair to maintain its functionality. Fundamental portions of the WWTP process components are deteriorated and certain conditions would be considered hazardous. The WWTP electrical system does not meet current code requirements. The existing WWTP and many of the City's sewers will likely require substantial improvements or replacement in the next 5 to 10 years.

As Red Oak prepares this financial plan, the City had not completed a Capital Improvement Plan (CIP) for the sewer utility. Whether the WWTP and sewers are replaced or simply maintained, the majority of the costs would be funded through Sewer Availability Charge revenue, as opposed to impact fees, since the work is largely driven by maintenance as opposed to capacity limitations.

Red Oak worked with the City to assess the viability of several potential capital spending scenarios. These scenarios ranged from (1) minimal R&R spending on the WWTP and sewer system to (2) cash-financing a new WWTP in the near term. It was determined that the most viable financial option is to debt-finance a new WWTP in 2018 and increase sewer R&R, spending up to $800,000 per year.

3.6. Financial Policy Recommendations

The following subsections provide recommended financial policies for managing the wastewater enterprise.

3.6.1. Reserves

Reserve requirements are funds that are set aside for precautionary purposes such as for revenue stabilization or emergency capital replacement. Such policies typically require a predetermined fund balance to be maintained. The target levels are based proportionately to variables such as operating results, asset value, or debt service payments.

While the City has no official reserve requirements for the wastewater enterprise, the enterprise has until recently succeeded in maintaining a cash reserve that would meet typical recommended reserves levels for a utility of its size. The following reserves policies are recommended by Red Oak.

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3.6.1.1. Operating Reserve

An operating reserve is established primarily to maintain adequate levels of cash between the time that expenses are incurred and that revenue are received. It may also be used to insulate a utility from cost volatility such as for energy, and provide time for the utility to adjust rates. Utilities that bill monthly typically maintain a reserve that is equal to about 3 months of operating expenditures, while utilities that bill bimonthly typically maintain a reserve equivalent to 6 months of operating expenditures. Since the City bills its customers only once per year, Red Oak recommends a reserve equivalent to 12 months of its operating budget. Currently, that amount is approximately $1.45 million.

3.6.1.2. Emergency Capital Repair Reserve

An appropriate level of repair reserves is generally based on a criticality assessment of system facilities. This assessment involves quantifying the probability of critical infrastructure being impaired, the level of impairment, and the cost of replacement should a catastrophe occur. The repair reserve may also be used to insulate against early and/or unanticipated capital replacement costs. Based on conversations with City staff, Red Oak recommends a target reserve level equal to $2 million.

3.6.2. Debt and Debt Service

While the wastewater enterprise doesn't have any outstanding debt, this financial plan does examine some scenarios whereby debt would need to be issued to finance future capital projects. As such, this financial plan has adopted guidelines regarding Debt Service Coverage (DSC) ratios, which is a measure of a borrower's ability to repay its debt obligations. Specifically, the DSC ratio is the ratio of total enterprise revenues less operating expenditures (referred to as "net revenues") divided by the annual debt service. Absent an official city policy, this financial plan uses a DSC of 1.25 consistent with direction given by the City's finance department. Unless otherwise noted, all rate adjustment scenarios presented in this financial plan either meet or exceed a DSC ratio of 1.25.

In cases where this financial plan recommends new debt, the projected debt is assumed at a 6% interest rate, a 30-year term and includes an issuance cost of 1.5% funded from the proceeds of the debt issue.

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4. Cost of Service Analysis

Red Oak completed a cost-of-service analysis using the FY2013 budget as the "test year". The cost-of-service analysis serves to identify the costs associated with sewage characteristics in order to appropriately align those costs with the rates that are charged to specific customer classes.

4.1. Cost Allocation

The cost-of-service analysis begins by allocating utility costs to three categories: capital, O&M, and fixed administrative costs.

4.1.1. Capital Cost Allocation

Wastewater capital facilities are designed around both the flows and the strength of sewage. As such, capital costs are allocated to the system's following functional components: flow capacity, removal of BOD, and removal of TSS. The cost allocation process includes allocating fixed asset costs to functional components and identifying an overall percentage of capital facilities dedicated to the flow and strength characteristics. Once these percentages are identified, they are used to allocate the costs to functional categories.

The methodology utilized for completing the fixed asset cost allocation consisted of the following steps:

1. Development of a list of fixed assets, original costs or replacement costs, service lives and dates placed in service for both the plant and collection infrastructure[5];
2. "Normalization" of the facility component costs (where necessary) by estimating the current replacement cost of the wastewater system components[6]. In order to give each component of the system proportional weight, regardless of its age;
3. Amortization of the components over their useful life[7] to reflect each asset's service life and associated interest cost;
4. Allocation of the amortized costs to functional cost components; and
5. Development of average capital cost allocation percentages from the annualized capital recovery costs and the functional cost allocation results.

[5] As provided by Provost & Pritchard, March 2013
[6] The Handy-Whitman Index of Public Utility Construction Costs to extrapolate replacement costs from original costs.
[7] Amortization of the replacement costs was based on the service life of each asset and an interest rate of 7 percent.

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Amortized costs were allocated to Flow, BOD, and TSS components based on the intended design of the facilities (cost-causative factors). Engineering judgment was used to conduct the cost allocations. A summary of the cost allocations is provided below.

Facility Component	Allocation Basis
Headworks & Raw Sewage Pumping	Flow rates determine the size of the station; therefore, costs were assigned 100% to Flow.
Primary Sedimentation Tank	Used to remove suspended solids; therefore, assigned 100% to TSS.
Aeration System	Used for BOD removal; therefore, assigned 100% to BOD.
Digesters	Used to digest solids; therefore, assigned 100% to TSS.
Sludge Dewatering	Used to thicken solids; therefore, assigned 100% to TSS.
Miscellaneous Structures	Miscellaneous facilities support all aspects of treatment; therefore assigned 40% to Flow, 30% to BOD, and 30% to TSS.
Effluent Disposal	Disposal only deals with flow, not strength; therefore, assigned 100% to Flow.
Sewage Collection System	Collection only deals with flow, not strength; therefore, assigned 100% to Flow.

Based on the fixed asset cost allocations described above, the relative amount of costs assigned to Flow, BOD, and TSS was calculated to determine the capital cost allocation factors, as summarized in Table 8:

Table 8 – Capital Cost Allocations by Function

Flow	BOD	TSS
57%	9%	34%

These cost allocation factors were used to allocate budgeted annual capital outlay and debt service expenditures to cost components.

4.1.2. Operation and Maintenance Cost Allocation

O&M costs were allocated to functional components of Flow, BOD, and TSS categories to recognize the costs incurred to handle these wastewater flow and strength

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characteristics. Forecasted O&M expenditures were based on the FY2013 budget. A summary of the cost allocation basis is provided below:

O&M Component	Allocation Basis
Salaries, Wages & Benefits	These costs were allocated based on the average capital cost allocation for the WWTP assets.
Chemicals	Boric acid is the only expenditure and was allocated to Flow since it is used for insect control in the collection system.
Electrical	Allocated to Flow based on actual energy consumption in specific parts of the system.
Contract Services & Supplies	For treatment-related services, these costs were allocated based on the average capital cost allocation for the WWTP assets. For sewer-related services, these costs were allocated 100% to Flow.

Based on the O&M cost allocations, the total O&M costs assigned to Flow, BOD, and TSS were calculated in order to develop overall O&M cost allocation factors. The resulting overall O&M cost allocation factors that were calculated using this method are summarized in Table 9.

Table 9 – O&M Cost Allocations by Function

Flow	BOD	TSS
51%	12%	28%

These cost allocation factors are used to allocate O&M expenditures to cost components.

4.1.3. Administrative Cost Allocation

Other costs, including revenue collection, human resources, and insurance were allocated to a “fixed/admin” component, which is ultimately embedded in each customer’s fixed fee.

4.1.4. Allocation of Revenue Requirements to Functional Components

The forecasted revenue requirements for the test year were allocated to each functional component using these cost allocation factors. A summary of the resulting allocations requirements is presented in Figure 2.

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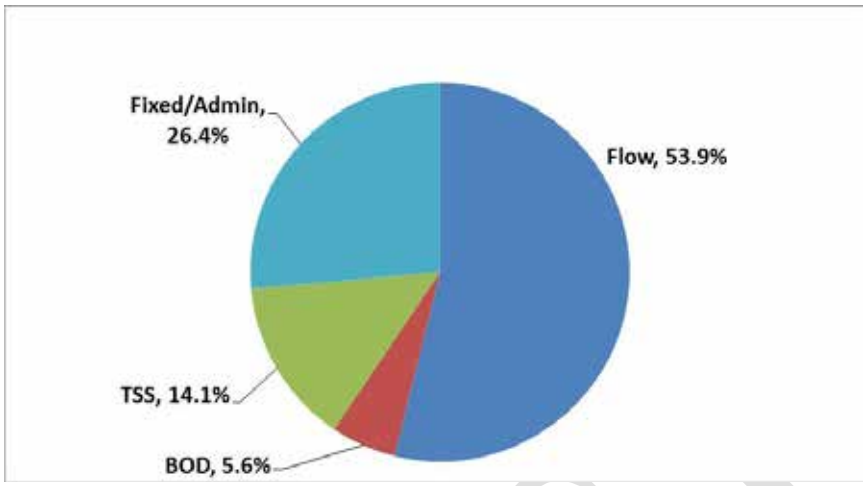
Figure 2 – Cost Allocation of Revenue Requirements



4.1.5. Development of Unit Costs

The "unit costs" of sewer service are determined by dividing the costs allocated to each functional component (Flow, BOD, and TSS) by the system's total annual loadings. The unit costs are then used to distribute costs to customer classes based on their respective loading characteristics (see Section 4.2). The unit cost of service results are provided in Table 10.

Table 10 –Unit Costs

	Cost Allocation				
Fiscal Year	Flow ($)	BOD ($)	TSS ($)	Fixed/Admin ($)	Rate Revenue Requirement ($)
FY 2013	$1,162,541	$120,552	$305,263	$569,874	$2,158,230

	Units			
Fiscal Year	Flow (MGY)	BOD (1,000 lbs)	TSS (1,000 lbs)	Fixed/Admin (count)
FY 2013	938	1,732	1,704	12,492

	Dollars per Unit			
Fiscal Year	Flow ($ / MG)	BOD ($/1,000 lbs)	TSS ($/1,000 lbs)	Fixed/Admin ($/Account)
FY 2013	$1,239.08	$69.60	$179.19	$45.62

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4.2. Customer Class Loading Characterization

The following describes the process used to characterize the wastewater generated from each of the City's residential and non-residential customer classes. This analysis was completed for each of the three residential and 21 non-residential customer classes. The results for each respective residential and non-residential customer class are summarized in Table 11.

4.2.1. Customer Wastewater Discharge Characteristics

Most customer class strength characteristics were based on the standards established by the California State Water Resources Control Board (SWRCB)[8]. In the case of NAWS, the actual BOD loading characteristics (180 mg/L) were measured through a sampling program[9] while TSS was assumed to be the same as SFR accounts (213 mg/L per the SWRCB).

The indoor water consumption patterns for SFR accounts were based on a study of typical indoor water usage in California[10]. The water consumption in MFR units and mobile home units were assumed to be 80% and 60% of the water consumption in SFR accounts, respectively[11]. The return-to-sewer factor for indoor water use in all residential accounts was assumed to be 65%. See Section 4.2.2. For non-residential accounts, indoor water usage characteristics were based on actual water usage data[12] with an assumed 80% return-to-sewer factor. Actual wastewater flow data was used for the NAWS.

A summary of wastewater discharge characteristics by customer class is provided in Table 11.

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[8] Revenue Program Guidelines, Appendix G, March 1998, California State Water Resources Control Board
[9] Conducted by the City of Ridgecrest, in February through March of 2012.
[10] Residential Indoor Water Conservation Study, July 2003, Peter W. Mayer, William B. DeOreo, Erin Towler, and David M. Lewis
[11] Based on a 1996 study by The Keese Company for the City of Ridgecrest.
[12] Based on actual water consumption data as provided by Indian Wells Water District.

Table 11 –Customer Wastewater Loading Characteristics

Description	Accounts	Units	Flow (gpdu)	Concentration (mg/L) BOD	TSS	Flow (MG/Y)	HCF/Y	BOD (1,000 lbs/Y)	TSS (1,000 lbs/Y)
Residential Customers									
Single Family Residential (SF)	7,738	7,738	134	213	213	377.3	504,328	669.0	669.0
Multi-Family Residential (MF), per unit	1,313	3,144	107	213	213	122.6	163,929	217.5	217.5
Mobile Homes, per unit	15	861	80	213	213	25.2	33,670	44.7	44.7
Total Residential	**9,066**	**11,743**				**525.1**	**701,927**	**931.2**	**931.2**
Commercial Customers									
Auto: Repair Shop and Service Station	43	43	227	180	280	3.6	4,758	5.3	8.3
Auto: Steam Cleaning	0	0	0	1,150	1,250	0.0	0	0.0	0.0
Bakery and Food Preparation	1	1	130	1,000	600	0.0	64	0.4	0.2
Bars w/o Dining Facilities	9	9	384	200	200	1.3	1,688	2.1	2.1
Car Wash	2	2	8,401	20	150	6.1	8,198	1.0	7.7
Commercial & Institutional - Other	18	18	203	130	100	1.3	1,786	1.4	1.1
Department and Retail Store	37	37	837	150	150	11.3	15,108	14.1	14.1
Hospital and Convalescent	2	2	0	250	100	0.0	0	0.0	0.0
Hotel with dining facilities	9	9	4,189	500	600	13.8	18,396	57.4	68.9
Hotel/Motel without dining	17	17	2,364	310	120	14.7	19,607	37.9	14.7
Institutional and Professional: Restrooms	528	528	312	130	80	60.1	80,356	65.2	40.1
Laundromat	0	0	0	150	110	0.0	0	0.0	0.0
Laundry: Commercial	0	0	0	450	240	0.0	0	0.0	0.0
Laundry: Industrial	0	0	0	670	680	0.0	0	0.0	0.0
Market with Garbage Grinders	5	5	2,915	800	800	5.3	7,112	35.5	35.5
Mortuary	2	2	207	800	800	0.2	202	1.0	1.0
Restaurant	50	50	1,016	1,000	600	18.5	24,779	154.7	92.8
Septage Service	0	0	0	5,400	12,000	0.0	0	0.0	0.0
Septic Tank or No Service	25	25	-	-	-	0.0	0	0.0	0.0
Soft Water Service	0	0	0	3	55	0.0	0	0.0	0.0
China Lake NAWS	1	1	772,013	180	213	281.8	376,690	423.3	499.7
Total Commercial	**749**	**749**				**421.0**	**562,846**	**799.6**	**786.4**
Total All Customer Classes	**9,815**	**12,492**				**946.1**	**1,264,773**	**1,730.7**	**1,717.6**

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4.2.2. Wastewater Loading Mass Balance

The total of flow and strength parameters from the individual customer classes were then compared to the known metered influent wastewater flow and strength at the WWTP. This comparison allowed a calibration of the unit costs to ensure that the basis for the sewer rates is in line with the actual loads to the WWTPs by way of the return-to-sewer factor.

The influent wastewater flow and strength concentrations and total mass of BOD and TSS into the WWTP are summarized in Table 12.

Table 12 – Influent Wastewater Flow Characteristic

	Flow (MGD)	BOD (mg/L)	SS (mg/L)
Average Daily Loadings	2.6	161.0	218

	Flow (M HCF)	BOD (1,000 lbs)	SS (1,000 lbs)
Annual Loadings	936	1,257	1,705

4.3. Cost Distribution to Customer Classes

Sewer service costs were distributed to each customer class by multiplying the unit costs shown in Table 10 by the wastewater loadings contribution of each customer class shown in Table 11. The results are expressed as a cost per unit per month. This expression was derived by multiplying the unit cost by the total annual number of units of flow and strength, and then dividing by the number of dwelling units and the number of months in the year. This results in the calculation of the cost responsibility of each customer class. The manner in which those costs are recovered from each customer class is described in Section 5.

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5. Findings and Recommendations

This section provides recommendations regarding the City's Sewer Availability Charge, both in terms of (1) its design for the various customer classes and (2) uniform increases for generating appropriate levels of revenue. For the reader's reference, existing rates are described in Section 2.1.

5.1. Cost-of-Service Results and Rate Design

Red Oak recommends that all customer classes continue to pay some form of a fixed charge in order to (1) provide the utility with revenue stability and (2) ensure that there is sufficient revenue to pay for fixed costs such as infrastructure maintenance and the administration of the sewer system.

Given the unique flow patterns of individual non-residential accounts, we recommend such accounts continue to be assessed a volumetric rate in addition to a fixed charge. All other accounts should be charged a simple flat rate.

Table 13 and Table 14 show the recommended rate structure for residential and non-residential accounts, respectively. To be clear, this rate schedule does not represent a change in total revenue but rather modifies the current rate structure such that it will generate the *same* revenue while meeting the equity requirements of Proposition 218.

The Annual Fixed Fee for non-residential accounts was made equal to the Annual Charge for SFR. This recommendation is based on the fact that all accounts, whether residential or commercial, pay their respective Sewer Availability Charge irrespective of whether the property is occupied or vacant. This recommendation will ensure that vacant accounts generally pay the same amount. Since this study has found that the average SRF account discharges 71 HCF of sewage per year, the first 71 HCF of sewage is included in the non-residential Annual Fixed Fee.

The volumetric rates charged to non-residential accounts will be based on a volume equal to 80% of the previous year's potable water consumption. This adjustment is the return-to-sewer factor, as discussed in Section 4.2.1.

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Table 13 –Recommended Cost-of-Service Rate Adjustment for Residential Accounts

	Monthly Charge	Annual Charge
Single Family Residential (SFR)	$8.84	$106.10
Multi-Family Residential (MFR), per unit	$7.71	$92.51
Mobile Homes (per space)	$6.58	$78.92

Table 14 - Recommended Cost-of-Service Rate Adjustment for Non-Residential Accounts

Annual Fixed Fee	
All Non-Residential Accounts	**$106.10**

Volumetric Rate	**$/HCF**
Auto: Repair Shop and Service Station	$0.87
Auto: Steam Cleaning	$1.88
Bakery and Food Preparation	$1.35
Bars w/o Dining Facilities	$0.82
Car Wash	$0.73
Commercial & Institutional - Other	$0.73
Department and Retail Store	$0.77
Hospital and Convalescent	$0.76
Hotel with dining facilities	$1.21
Hotel/Motel without dining	$0.79
Institutional and Professional: Restrooms Only	$0.71
Laundromat	$0.74
Laundry: Commercial	$0.92
Laundry: Industrial	$1.31
Market with Garbage Grinders	$1.44
Mortuary	$1.44
Restaurant	$1.35
Soft Water Service	$0.66
China Lake NAWS	$0.94

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5.2. Financial Forecast with Existing Rates

The following describes the projected financial condition of the sewer enterprise should the City defer an increase in sewer rates. In this scenario, the total capital spending for R&R for both the WWTP and the sewers is limited to $400,000 per year (see Table 15), which is likely insufficient to maintain the system's assets. As shown in Figure 3, in the absences of an increase in revenue, the sewer enterprise cash reserves will remain below recommended levels and become depleted within 8 years. The financial details of this scenario are presented as a proforma in Table 16. As the enterprise's financial condition worsens, the utility's credit rating will likely suffer and issuing debt will become increasingly difficult and/or more expensive. Note that without a rate increase the enterprise would not be eligible for issuing debt due to a debt service coverage ratio below 1.0 (see Line 23 of Table 16). When cash reserves are depleted, however, debt will be the only way to fund even minimal capital project improvements.

Table 15 – Capital Spending Summary for No Rate Increase Scenario

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
New WWTP	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Existing WWTP R&R	$0.4M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M
Sewer System R&R	$ -	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M
Total	**$0.4M**	**$0.4M**	**$0.4M**	**$0.4M**	**$0.4M**	**$0.4M**	**$0.4M**	**$0.4M**	**$0.4M**	**$0.4M**

Figure 3 – Sewer Fund Balance Forecast with No Rate Increase

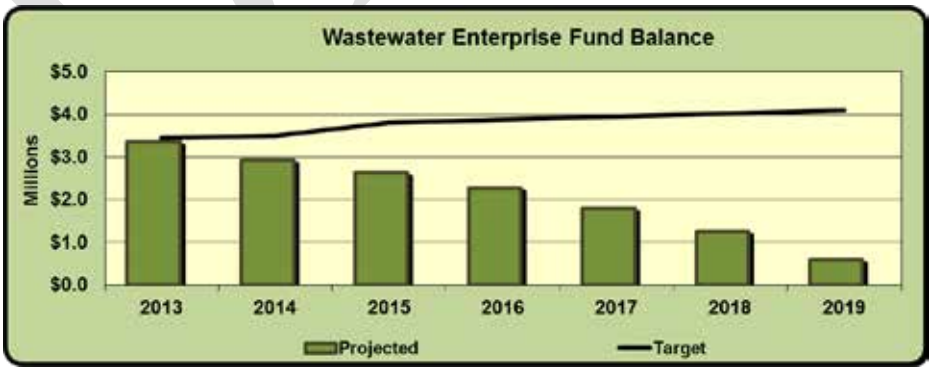

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Table 16 – Proforma for No Rate Increase Scenario

Line No.	Description	1 FY2013	2 FY2014	3 FY2015	4 FY2016	5 FY2017	6 FY2018	7 FY2019	8 FY2020
	Revenues								
1	Rate Revenues	$ 1,580,000	$ 1,608,440	$ 1,637,392	$ 1,666,865	$ 1,696,869	$ 1,727,412	$ 1,758,506	$ 1,790,159
2	Rate Revenues from Increase	-	-	-	-	-	-	-	4,333,436
3	Miscellaneous Revenue	-	152,940	152,940	152,940	152,940	152,940	152,940	152,940
5	Interest Income	40,000	10,332	9,139	8,075	6,713	5,042	3,044	7,870
6	**Total Revenues**	$ 1,620,000	$ 1,771,712	$ 1,799,471	$ 1,827,880	$ 1,856,521	$ 1,885,394	$ 1,914,489	$ 6,284,405
	Revenue Requirements								
7	Operating Expenses	$ 1,444,966	$ 1,502,765	$ 1,795,826	$ 1,867,659	$ 1,942,365	$ 2,020,060	$ 2,100,862	$ 2,184,896
8	Non-Operating Expenses	-	-	-	-	-	-	-	-
9	Transfers Out	255,664	265,891	212,093	220,577	229,400	238,576	248,119	258,044
10	Minor Capital Expense	17,600	18,304	19,036	19,798	20,590	21,413	22,270	23,160
	Debt Service								
12	New-Revenue Bond	-	-	68,499	68,499	141,169	141,169	218,264	218,264
15	**Total Debt Service**	$ -	$ -	$ 68,499	$ 68,499	$ 141,169	$ 141,169	$ 218,264	$ 218,264
16	Capital Projects Funded with Cash	355,000	412,000	-	-	-	-	-	-
17	Capital Projects Funded with Debt Proceeds	-	-	424,360	437,091	450,204	463,710	477,621	491,950
18	**Total Revenue Requirements**	$ 2,073,230	$ 2,198,959	$ 2,095,454	$ 2,176,532	$ 2,333,523	$ 2,421,217	$ 2,589,515	$ 2,684,365
19	**Revenues Over (Under) Expenses**	$ (453,230)	$ (427,247)	$ (295,983)	$ (348,652)	$ (477,002)	$ (535,823)	$ (675,026)	$ 3,600,040
20	**Beginning Balance**	$ 3,797,819	$ 3,344,589	$ 2,917,342	$ 2,621,359	$ 2,272,708	$ 1,795,706	$ 1,259,882	$ 584,857
21	**Revenues Over (Under) Expenses**	(453,230)	(427,247)	(295,983)	(348,652)	(477,002)	(535,823)	(675,026)	3,600,040
22	**Ending Balance**	$ 3,344,589	$ 2,917,342	$ 2,621,359	$ 2,272,708	$ 1,795,706	$ 1,259,882	$ 584,857	$ 4,184,896
	Debt Service Coverage								
23	Debt Service Coverage Test 1	N/A	N/A	-9%	-70%	-66%	-99%	-87%	1875%
24	Fund Ending Balance	$ 3,344,589	$ 2,917,342	$ 2,621,359	$ 2,272,708	$ 1,795,706	$ 1,259,882	$ 584,857	$ 4,184,896

5.3. Recommended Rate Adjustments

As previously discussed, Red Oak worked with City staff to determine the appropriate level of capital spending, given the likely infrastructure needs over the next 5 to 10 years. According to Provost & Pritchard, capital spending on the WWTP will need to increase significantly by either building a new WWTP or investing in the R&R of the existing WWTP. Ultimately City Staff agreed that the fiscally prudent approach is being to financially prepare for the mostly likely spending requirements. The recommended rate increases would be sufficient to:

1) Build a new WWTP[13] in 2018;
2) Establish a sewer rehabilitation program that spends $800,000 per year[14];

[13] The new WWTP is estimated to cost $46 million in 2013 dollars.

3) Maintain the recommended sewer enterprise cash reserve level of approximately $4 million; and
4) Maintain a debt service coverage ratio of at least 1.25.

The capital spending schedule is shown in Table 17.

Table 17 – Capital Spending Summary for Recommended Scenario

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
New WWTP	$ -	$ -	$ -	$2.3M	$2.3M	$11.5M	$23M	$6.9M	$ -	$ -
Existing WWTP R&R	$0.4M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M	$0.2M
Sewer System R&R	$ -	$0.8M	$0.8M	$0.8M	$0.8M	$0.8M	$0.8M	$0.8M	$0.8M	$0.8M
Total	**$0.4M**	**$1M**	**$1M**	**$3.3M**	**$3.3M**	**$12.5M**	**$24M**	**$7.9M**	**$1M**	**$1M**

The recommended uniform rate increases (applied to all customer classes and to both fixed and volumetric rates) are presented in Table 17.

Table 18 – Recommended Rate Increases

FY2014	FY2015	FY2016	FY2017	FY2018
100%	50%	3%	3%	3%

Table 19 and Table 20 show how these rate increases would translate into actual rates for residential and non-residential accounts, respectively.

Table 19 – Proposed Residential Rate Schedule

Monthly Sewer Availability Charge					
	2014	2015	2016	2017	2018
Single Family Residential	$17.68	$26.53	$27.32	$28.14	$28.98
Multi-Family Residential	$15.42	$23.13	$23.82	$24.54	$25.27
Mobile Homes	$13.15	$19.73	$20.32	$20.93	$21.56

[14] Based on the assumption that the City has 170 miles of sewer lines, 50% of which needs to be repaired or replaced over the next 30 years. Replacement cost is assumed to be $57 per foot.

Table 20 – Proposed Non-Residential Rate Schedule

	2014	2015	2016	2017	2018
Annual Fixed Fee*	$212.20	$318.30	$327.85	$337.69	$347.82
Volumetric Charge (per hundred cubic feet)**					
Auto: Repair Shop and Service Station	$1.75	$2.62	$2.70	$2.78	$2.87
Auto: Steam Cleaning	$3.75	$5.63	$5.80	$5.97	$6.15
Bakery and Food Preparation	$2.70	$4.05	$4.17	$4.30	$4.43
Bars w/o Dining Facilities	$1.64	$2.46	$2.54	$2.61	$2.69
Car Wash	$1.46	$2.20	$2.26	$2.33	$2.40
Commercial & Institutional - Other	$1.45	$2.18	$2.25	$2.31	$2.38
Department and Retail Store	$1.54	$2.31	$2.38	$2.45	$2.52
Hospital and Convalescent	$1.52	$2.28	$2.35	$2.42	$2.50
Hotel with dining facilities	$2.41	$3.62	$3.72	$3.84	$3.95
Hotel/Motel without dining	$1.59	$2.38	$2.45	$2.53	$2.60
Institutional and Professional: Restrooms Only	$1.42	$2.14	$2.20	$2.27	$2.33
Laundromat	$1.48	$2.22	$2.29	$2.35	$2.43
Laundry: Commercial	$1.85	$2.77	$2.85	$2.94	$3.03
Laundry: Industrial	$2.63	$3.94	$4.06	$4.18	$4.31
Market with Garbage Grinders	$2.88	$4.32	$4.45	$4.59	$4.72
Mortuary	$2.88	$4.32	$4.45	$4.59	$4.72
Restaurant	$2.70	$4.05	$4.17	$4.30	$4.43
Soft Water Service	$1.31	$1.97	$2.03	$2.09	$2.15
China Lake Naval Air Weapons Station	$1.87	$2.81	$2.89	$2.98	$3.07

*The annual fixed fee includes the first 71 hundred cubic feet of water flow per year.

** Based on 80% of potable water consumption to account for water not returned to the sewer.

As shown in Figure 4, the reserve levels would quickly rise until the spending for the future WWTP begins in 2016. It should be noted that even if the new WWTP is delayed, the healthy cash reserves will allow the City to finance more of the WWTP with cash rather than debt. The financial details of this scenario are presented as a proforma in Table 21. Row 23 shows about $48M in debt being issued between FY2017 and FY 2020.

Figure 4 – Sewer Fund Balance Forecast with Recommended Rates

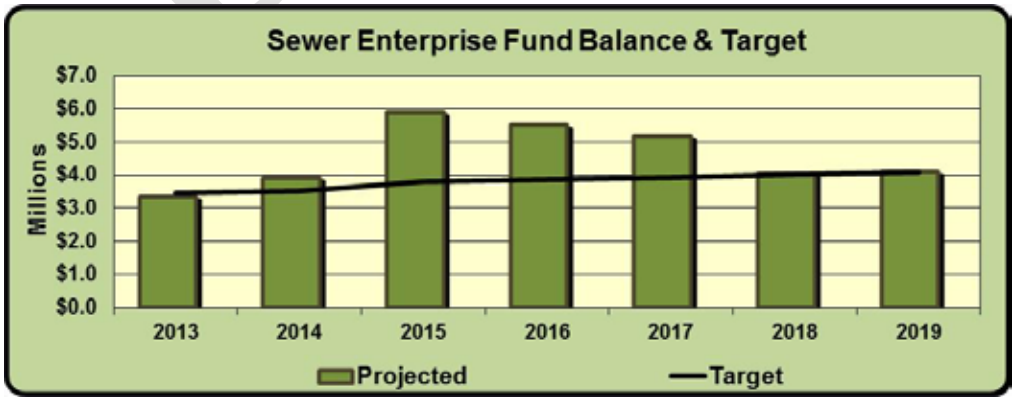

Table 21 – Recommended Scenario Proforma

Proforma - Operating Fund		1	2	3	4	5	6	7	8
Line No.	Description	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
	Revenues								
1	Rate Revenues	$ 1,580,000	$ 1,608,440	$ 3,274,784	$ 5,000,595	$ 5,243,324	$ 5,497,835	$ 5,764,700	$ 5,868,464
2	Rate Revenues from Increase	-	1,608,440	1,637,392	150,018	157,300	164,935	-	1,375,766
3	Miscellaneous Revenue	-	152,940	152,940	152,940	152,940	152,940	152,940	152,940
5	Interest Income	40,000	11,969	16,190	18,833	17,634	15,173	13,400	13,672
6	**Total Revenues**	$ 1,620,000	$ 3,381,789	$ 5,081,306	$ 5,322,386	$ 5,571,197	$ 5,830,883	$ 5,931,039	$ 7,410,842
	Revenue Requirements								
7	Operating Expenses	$ 1,444,966	$ 1,502,765	$ 1,795,826	$ 1,867,659	$ 1,942,365	$ 2,020,060	$ 2,100,862	$ 2,184,896
8	Non-Operating Expenses	-	-	-	-	-	-	-	-
9	Transfers Out	255,664	265,891	212,093	220,577	229,400	238,576	248,119	258,044
10	Minor Capital Expense	17,600	18,304	19,036	19,798	20,590	21,413	22,270	23,160
	Debt Service								
12	New-Revenue Bond	-	-	-	-	-	3,305,778	3,305,778	4,047,467
15	**Total Debt Service**	$ -	$ -	$ -	$ -	$ -	$ 3,305,778	$ 3,305,778	$ 4,047,467
16	Capital Projects Funded with Cash	355,000	1,030,000	1,060,900	3,605,999	3,714,179	1,400,884	173,208	813,240
17	Capital Projects Funded with Debt Proceeds	-	-	-	-	-	13,090,042	28,484,047	8,902,764
18	**Total Revenue Requirements**	$ 2,073,230	$ 2,816,959	$ 3,087,855	$ 5,714,032	$ 5,906,534	$ 6,986,711	$ 5,850,237	$ 7,326,808
19	**Revenues Over (Under) Expenses**	$ (453,230)	$ 564,830	$ 1,993,451	$ (391,646)	$ (335,336)	$ (1,155,828)	$ 80,802	$ 84,034
20	**Beginning Balance**	$ 3,797,819	$ 3,344,589	$ 3,909,419	$ 5,902,870	$ 5,511,224	$ 5,175,887	$ 4,020,060	$ 4,100,862
21	**Revenues Over (Under) Expenses**	(453,230)	564,830	1,993,451	(391,646)	(335,336)	(1,155,828)	80,802	84,034
22	**Ending Balance**	$ 3,344,589	$ 3,909,419	$ 5,902,870	$ 5,511,224	$ 5,175,887	$ 4,020,060	$ 4,100,862	$ 4,184,896
	Debt Service Coverage								
23	Debt Service Coverage Test 1	N/A	N/A	N/A	N/A	N/A	115%	116%	129%
24	Fund Ending Balance	$ 3,344,589	$ 3,909,419	$ 5,902,870	$ 5,511,224	$ 5,175,887	$ 4,020,060	$ 4,100,862	$ 4,184,896

5.4. Billing Frequency

The current practice of piggy-backing sewer bills with County property bills allows the City to avoid the expense of managing a large customer database and sending invoices. While there would be some benefits to more frequent billing, such as revenue stability, the City currently does not intend to purchase and implement its own billing system. As such, we have assumed that the Sewer Availability Charge will continue to be billed on an annual basis.

5.5. Future Revenue Reviews

This study was completed using the best available projections for growth, inflation, regulatory requirements and capital spending. As with any financial projection, the City should conduct a regular (annual) review of the sewer enterprise's financial condition and verify that spending and revenue levels are consistent with the findings of this report.

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CITY COUNCIL/SUCCESSOR REDEVELOPMENT AGENCY/FINANCING AUTHORITY/HOUSING AUTHORITY AGENDA ITEM

SUBJECT:
Executive Summary and Discussion of Fiscal Year 2012-13 Budget Projections

PRESENTED BY:
Rachelle McQuiston – Director of Finance

SUMMARY:

Pursuant to Council request, the Director of Finance has actively researched revenue and expenditure projections for the remaining Fiscal Year 2012-13 Budget.

These projections and the impact to the current budget will be presented and discussed at the Council meeting.

FISCAL IMPACT:
No Fiscal Impact
Reviewed by Finance Director

ACTION REQUESTED:

Discussion item only, no action required

CITY MANAGER / EXECUTIVE DIRECTOR RECOMMENDATION:

Action as requested: Discussion and possible direction to staff

Submitted by: Rachelle McQuiston Action Date: April 17, 2013
(Rev. 02/13/12)

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