A G E N D A

Meeting of the
Scotts Valley City Council

Date: December 7, 2016
Time: 6:00 p.m.

CITY OF SCOTTS VALLEY	**MEETING LOCATION**	**POSTING**: The agenda was posted
1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5602	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	12-2-16 at City Hall, SV Senior Center, SV Library and on the Internet at www.scottsvalley.org.

Elected Officials	**City Staff Members**
Donna Lind, Mayor Randy Johnson, Vice Mayor Stephany E. Aguilar, Council Member Dene Bustichi, Council Member Jim Reed, Council Member	Jenny Haruyama, City Manager Kirsten Powell, City Attorney Taylor Bateman, Acting Community Development Dir Scott Hamby, Public Works Director John Weiss, Chief of Police Tracy Ferrara, City Clerk

Notice regarding City Council Meetings:
The City Council meets regularly on the 1st and 3rd Wednesday of each month at 6:00 pm in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066.

Agenda and Agenda Packet Materials:
The City Council agenda and the complete agenda packet are available for review by 5:00 pm the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.org and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.org.

Televised Meetings:
City Council meetings are cablecast "Live" on Community Television of Santa Cruz County on Comcast Channel 25.

CALL TO ORDER 6:00 p.m.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

COMMITTEE REPORTS
(Council members are appointed to committees which are either City committees or committees dealing with other jurisdictions. This portion of the agenda allows the committee member to present oral or written reports to the Council regarding their committee assignments. It also allows the Council to make comments and give the committee member direction, as required.)

CITY MANAGER REPORT

PUBLIC COMMENT TIME
(This is the opportunity for individuals to make and/or submit written or oral comments to the Council on any items within the purview of the Council, which are **NOT** part of the Agenda. No action on the item may be taken, but the Council may request the matter be placed on a future agenda.

ALTERATIONS TO CONSENT AGENDA
(Council can remove or add items to the Consent Agenda.)

CONSENT AGENDA
(The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.)

A. Approve City Council meeting minutes of 11-16-16

B. Approve check register – 11-10-16

C. Authorize the City Manager to sign the 2016 Memorandum of Agreement (MOA) for the Santa Cruz Integrated Regional Water Management Plan and approve payment of $5,000 for the Santa Cruz Regional Water Management Group annual membership fee

D. Accept the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016 and allocate the FY 2015/16 General Fund excess revenue of $66,652 to the Unassigned Reserve in Fund Balance

E. Approve Resolution No. 1897.2 approving the parcel map for Apple/Gerald Smith Joint Venture Land Division, MLD 13-001, APN 024-021-26

ALTERATIONS TO REGULAR AGENDA
(Council can remove or add items to the Regular Agenda.)

REGULAR AGENDA
(Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.)

1. Oral presentation on legislative update from Assembly Member Mark Stone

2. Oral presentation by Scotts Valley Water District General Manager, Piret Harmon, regarding their proposed water rate increase

PUBLIC HEARING (To be heard at 6:30 p.m.)

3. Consideration of Planning Commission recommendation to approve the proposed "Dunslee Way" Planned Development, consisting of a mitigated negative declaration and planning permits to build a 5,000 square foot commercial building and 25 townhouses on a vacant parcel at the corner of Scotts Valley Drive and Dunslee Way, APN 022-451-01 (Planning/Fodge)

   ➜ Open public hearing
   ➜ Close public hearing
   ➜ Approve Resolution No. 1928
   ➜ Approve Resolution No. 1928.1
   ➜ Approve Introduction and First Reading of Ordinance No. 16-ZC-226
   ➜ Approve Resolution No. 1928.2

REGULAR AGENDA
(For Regular Agenda items following the public hearing. Regularly scheduled subjects of discussion on the Regular Agenda include:)

4. Consideration of Ordinance No. 191 adding Chapter 8.38 to Title 8 of the Scotts Valley Municipal Code requiring the safe disposal of unwanted pharmaceuticals and hypodermic needles (PublicWorks/Hamby)

5. Consideration of online posting of Fair Political Practices Commission (FPPC) Campaign Disclosure Financial Statements and other forms (City Manager Haruyama)

6. Future Council agenda items
   (This portion of the Regular Agenda allows the Council to determine items to be placed on a future agenda and to choose a date, if so desired.)

CONVENE TO CLOSED SESSION

CLOSED SESSION
SUBJECT: Conference with legal counsel regarding potential litigation – 1 case.

Legal Authority:	Govt Code Section 54956.9b
Name of Case:	N/A
Staff Present:	City Manager, City Attorney

RECONVENE TO OPEN SESSION

REPORT ON ACTION TAKEN DURING CLOSED SESSION

ADJOURNMENT

The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend a City Council meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the City Clerk's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a City Council meeting be available in an alternative format consistent with a specific disability, please call the City Clerk's Office. The California State Relay Service (TTY/VCO/HCO to Voice: English 1-800-735-2929, Spanish 1-800-855-3000; or, Voice to TTY/VCO/HCO: English 1-800-735-2922, Spanish 1-800-855-3000), provides Telecommunications Devices for the Deaf and Disabled and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:
1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.

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CONSENT AGENDA ITEM A
DATE: 12-7-2016

M I N U T E S

Meeting of the Scotts Valley City Council

Date: November 16, 2016

POSTING:
The agenda was posted on 11-12-16 at City Hall, the SV Senior Center, and the SV Library, by the City Clerk.

CALL TO ORDER 6:00 p.m.

PLEDGE OF ALLEGIANCE and **MOMENT OF SILENCE**

ROLL CALL

Present:	Mayor Donna Lind Vice Mayor Randy Johnson Council Member Stephany Aguilar Council Member Jim Reed	City Manager Jenny Haruyama City Attorney Kirsten Powell Police Chief John Weiss Public Wks Director Scott Hamby Acting Community Development Dir Taylor Bateman Police Lieutenant Steve Walpole Assistant Planner Brenda Stevens City Clerk Tracy Ferrara
Absent:	Council Member Dene Bustichi	

COMMITTEE REPORTS

CM Aguilar reported that the League of California Cities held a meeting to establish its strategic goals for the year and those are as follows: (1) To increase funding for critical transportation and water infrastructure; (2) To develop homelessness resources; (3) To improve affordability of workforce housing and secure additional funds for workforce housing; and, (4) To address the public safety impacts of reduced sentencing laws and protect local priorities in the implementation of AUMA and City rights to deliver emergency and medical services. She also reported that the League of California Cities has hired a new Executive Director.

Mayor Lind reported that the Criminal Justice Council had a meeting and received a presentation regarding an innovative program that is being established to work with students to get young people involved in positive ways in their schools and community.

Mayor Lind reported that she attended several meetings on the flight path issue, and this committee is hoping to have a final proposal for the FAA soon.

CITY MANAGER REPORT

Public Works:

- The Granite Creek Road Storm Damage Repair Project is complete. The entire area is now open for pedestrian and bicycle traffic.
- The MHR resurfacing project is also complete, with the exception of finishing the green bike lanes at the Lockhart Gulch intersection. Crews finished the striping and placed the raised reflectors last Friday night.
- With rain forecasted for this weekend, maintenance crews were busy removing a couple large trees that recently fell into Carbonero Creek in the south Navarra area.

Police:

- The police department has hired Meredith Roberts as a police trainee. Meredith will begin the police academy later this month. She is a Scotts Valley High School graduate and 14 year resident of Scotts Valley, where she lives with her husband and daughter. Meredith's husband is a deputy sheriff with the Santa Cruz County Sheriff's Office.
- Today Scotts Valley Police staff participated in a joint lock down drill exercise with school officials at Scotts Valley High School. These type of exercises enhance communication and coordination between police and school staff.

Interim Chief Announcement:

- I am pleased to announce that Lt. Steve Walpole has been selected to serve as Interim Police Chief effective December 9.
- I look forward to working with Steve during this interim period as he transitions into his new role.
- Since arriving to the department three years ago, Lt. Walpole, a Scotts Valley native, has implemented initiatives that have served as a catalyst for community engagement, public safety, and operational effectiveness.
- Lt. Walpole reactivated the City's K9 program, implemented an Emergency Preparedness Operations Plan in the event of a crisis, and replaced the department's aging police vehicle fleet. All of this was accomplished through grants and donations, with no impact on the City's General Fund.
- Finally, Lt. Walpole, initiated the City's Police Explorer program - which is a big hit with the community and a way to introduce public safety as a career option for our local youth.
- Prior to working for SV, Lt. Walpole served 16 years in the capacity of Police officer and later Sgt. for the Town of Los Gatos. Lt. Walpole also worked for the City of Watsonville as a Police Officer.
- Lt. Walpole graduated from Southern Oregon University with a degree in Criminology.
- Lt. Walpole is a 42-year resident of SV and married to Melissa and has 2 sons, Stephen and Tobin.
- Please join me in recognizing Lt. Walpole on being selected as Interim Police Chief.

PUBLIC COMMENT

Mike Keogh, SV business owner, expressed concerns about the City's current sign ordinance and recommended that the City update the ordinance.

Gary Richard Arnold, expressed concerns regarding decisions made by AMBAG.

Bill Ekwall, SV resident, expressed concerns about the current increases at the Scotts Valley Water District.

ALTERATIONS TO CONSENT AGENDA

M/S: Aguilar/Johnson
To approve the Consent Agenda.
Carried 4/0/1 (AYES: Aguilar, Johnson, Lind, Reed; ABSENT: Bustichi)

Consent Agenda:

A. Approve City Council meeting minutes of 11-2-16
B. Approve check register – 10-31-16
C. Approve second reading and adoption of Ordinance No. 102.14 amending Title 15 of the Scotts Valley Municipal Code and adopting the California Code of Regulations title 24, 2016 Building Standards Codes, subject to the specified deletions, amendments, exceptions and additions, and other codes and standards to establish minimum requirements to safeguard public health, safety and general welfare
D. Approve the 2015/2016 annual report of Development Impact Fees (AB 1600)
E. Approve the 2017 City Council meeting calendar
F. Approve the closure of non-essential city facilities, including City Hall and Recreation administrative offices Tuesday, December 27 through Thursday, December 29, 2016 and the Senior Center Friday, December 16 through Thursday, December 22 and Tuesday, December 27 through Thursday, December 29
G. Authorize city staff to commence a recruitment for the position of Maintenance Worker I due to the retirement of Joe Thuringer, Maintenance Worker II

ALTERATIONS TO REGULAR AGENDA

M/S: Aguilar/Johnson
To approve the Regular Agenda.
Carried 4/0/1 (AYES: Aguilar, Johnson, Lind, Reed; ABSENT: Bustichi)

REGULAR AGENDA

1. **Consider approval of Agreement for Professional Services between the City of Scotts Valley and Management Partners for financial management and executive leadership support in an amount not to exceed $100,000**

CM Haruyama presented the written staff report and responded to questions from Council.

M/S: Aguilar/Johnson
To approve Agreement for Professional Services between the City of Scotts Valley and Management Partners for financial management and executive leadership support in an amount not to exceed $100,000.
Carried 4/0/1 (AYES: Aguilar, Johnson, Lind, Reed; ABSENT: Bustichi)

PUBLIC HEARINGS

2. **Consider Planning Commission recommendation of approval for Minor Land Division (MLD16-002) to subdivide an existing 167,305 square foot parcel into three parcels in the commercial (C-S) zoning district located at 104 & 106 Whispering Pines Drive and 203 Mt. Hermon Road, APN 021-021-36 (Charles Eadie/Scotts Valley Partners, LLC.)**

AP Stevens presented the written staff report and responded to questions from Council.

PUBLIC HEARING OPENED - 6:40 PM

Charlie Eadie, representing Scotts Valley Partners, spoke regarding the minor land division and stated that this request was being brought forward so that the buildings can be sold separately.

PUBLIC HEARING CLOSED - 6:43 PM

M/S: Aguilar/Reed
To approve Resolution No. 1927, approving Minor Land Division No. MLD16-002 to create three parcels from one existing 167,305 square foot commercial parcel located at 104, 106 Whispering Pines Drive and 203 Mt. Hermon Road, APN 021-021-36.
Carried 4/0/1 (AYES: Aguilar, Johnson, Lind, Reed; ABSENT: Bustichi)

REGULAR AGENDA
(Resumed)

3. **Future Council agenda items**

None.

ADJOURNMENT The meeting adjourned at 6:45 p.m.

Approved: ______________________________
Donna R. Lind, Mayor

Attest:________________________________
Tracy A. Ferrara, City Clerk

CONSENT AGENDA ITEM B
DATE: 12-7-2016

Report Selection:

RUN GROUP... 111016 COMMENT... A/P AS OF NOV 11 2016

DATA-JE-ID	DATA COMMENT
W-11102016-031	A/P AS OF NOV 11 2016

Run Instructions:

Jobq	Banner	Copies	Form	Printer	Hold	Space	LPI	Lines	CPI	CP	SP	RT
L		01			Y	S	6	066	10			

BANK	VENDOR	CHECK#	DATE	AMOUNT
BA	GENERAL CHECKING ACCOUNT			
003123	A T &T	108879	11/10/16	378.42
003342	ACCENT CLEAN & SWEEP INC	108880	11/10/16	4,226.75
001631	ART CLEANERS	108881	11/10/16	1,290.64
000097	AT&T	108882	11/10/16	164.42
003557	BARTEL ASSOCIATES, LLC	108883	11/10/16	3,000.00
000614	BATTERIES PLUS	108884	11/10/16	130.07
001518	BAY AREA POLYGRAPH	108885	11/10/16	825.00
001071	BAYSIDE OIL II INC	108886	11/10/16	88.60
001822	BC LABORATORIES INC.	108887	11/10/16	332.00
003203	BLUETARP FINANCIAL	108888	11/10/16	496.23
000018	BRINK'S TROPHY SHOPPE	108889	11/10/16	21.75
000053	BSN SPORTS	108890	11/10/16	680.65
001566	BUSINESS WITH PLEASURE	108891	11/10/16	598.24
001216	C & N TRACTORS	108892	11/10/16	259.80
001633	CAL-WEST LIGHTING & SIGN	108893	11/10/16	1,315.00
003174	CAPITAL ONE COMMERCIAL	108894	11/10/16	766.88
001812	CENTRAL COAST SYSTEMS	108895	11/10/16	309.25
003031	COUNTY CLERK	108896	11/10/16	846.00
001853	COVANTA ENERGY, LLC	108897	11/10/16	156.75
003536	CREDIT BUREAU ASSOCIATES	108898	11/10/16	36.00
000037	CRYSTAL SPRINGS WATER CO	108899	11/10/16	98.10
000207	DEPARTMENT OF JUSTICE	108900	11/10/16	66.00
001827	DEPT OF PESTICIDE REGULA	108901	11/10/16	60.00
003160	DIXON & SON TIRE	108902	11/10/16	274.02
001362	DUNCAN AUTO TECH	108903	11/10/16	3,517.37
003500	ECOFERT,INC	108904	11/10/16	860.00
003354	ELITE MARTIAL ARTS, INC	108905	11/10/16	126.00
000191	EMPLOYMENT DEV. DEPT.	108906	11/10/16	5,721.00
001967	FLO-LINE TECHNOLOGY INC	108907	11/10/16	493.97
003502	FREITAS & FREITAS	108908	11/10/16	4,900.00
000338	GRAHAM CONTRACTORS INC	108909	11/10/16	201,355.70
001881	GRAINGER	108910	11/10/16	60.38
001873	HARRIS/BUCK	108911	11/10/16	3,900.00
000615	HOHMANN/PATRICK J.	108912	11/10/16	113.80
001856	HUB INTERNATIONAL	108913	11/10/16	384.12
003277	IMPERIAL SPRINKLER SUPPL	108914	11/10/16	1,205.82
000430	INTERSTATE BATTERIES	108915	11/10/16	1,939.66
000835	INTERSTATE SALES	108916	11/10/16	725.86
001903	JONES/KIMARIE	108917	11/10/16	359.70
000066	KING'S PAINT & PAPER	108918	11/10/16	29.24
002032	KT MECHANICAL INC	108919	11/10/16	895.00
001372	KURATOMI DDS/REED K	108920	11/10/16	446.50
001333	LARA/ JESUS D	108921	11/10/16	162.37
000618	MANDEGO, INC.	108922	11/10/16	549.24
003403	MAR-KEN INTERNATIONAL PO	108923	11/10/16	390.00
000195	MESITI-MILLER ENGINEERIN	108924	11/10/16	7,592.55
003171	MICHALAK/GENE	108925	11/10/16	110.00
000218	MID VALLEY SUPPLY	108926	11/10/16	225.67

BANK	VENDOR	CHECK#	DATE	AMOUNT	
BA	GENERAL CHECKING ACCOUNT				
001130	MIRACLE PLAYSYSTEMS	108927	11/10/16	10,562.65	
000712	MONARCH SERVICES	108928	11/10/16	839.75	
000967	MONTEREY BAY SYSTEMS	108929	11/10/16	952.68	
001418	MONTEREY REGIONAL	108930	11/10/16	3,537.60	
000086	MOTION INDUSTRIES INC.	108931	11/10/16	72.63	
003491	MUNIQUIP, LLC	108932	11/10/16	185.75	
000939	NATIONAL COMTEL NETWORK	108933	11/10/16	17.41	
003545	NIHLEN/HILARY	108934	11/10/16	213.61	
000088	NORTH BAY FORD-LINCOLN-	108935	11/10/16	8.37	
000101	PACIFIC GAS & ELECTRIC C	108936	11/10/16	151.85	
000101	PACIFIC GAS & ELECTRIC C	108937	11/10/16	44,496.14	
001536	PAPA	108938	11/10/16	45.00	
003152	PETERSON POWER SYSTEMS,	108939	11/10/16	954.97	
001787	PETRINI'S GARDENING SERV	108940	11/10/16	75.00	
000100	PETTY CASH - R. LIEB	108941	11/10/16	127.09	
000100	PETTY CASH - R. LIEB	108942	11/10/16	176.19	
000100	PETTY CASH - R. LIEB	108943	11/10/16	164.57	
001930	PORT SUPPLY	108944	11/10/16	789.01	
001233	PORTER DDS MS/BRENT J	108945	11/10/16	1,088.20	
000463	RALEY'S	108946	11/10/16	258.46	
000463	RALEY'S	108947	11/10/16	25.18	
000171	RIVERSIDE LIGHTING INC	108948	11/10/16	195.75	
001563	ROBINSON DDS/RICHARD N	108949	11/10/16	80.00	
000134	S.V. WATER DISTRICT	108950	11/10/16	11,614.62	
000134	S.V. WATER DISTRICT	108951	11/10/16	95.19	
000135	SAN LORENZO VALLEY WATER	108952	11/10/16	34.00	
003367	SANTA CRUZ LIVE SCAN	108953	11/10/16	30.00	
000820	SANTA CRUZ/COUNTY OF	108954	11/10/16	643.39	
000129	SCOTTS VALLEY BANNER	108955	11/10/16	130.05	
000131	SCOTTS VALLEY MEDICAL	108956	11/10/16	148.00	
000133	SCOTTS VALLEY SPRINKLER	108957	11/10/16	127.92	
003085	SHRED-IT US JV LLC	108958	11/10/16	78.23	
000405	SILVERSTEIN/THOMAS	108959	11/10/16	1,659.65	
001535	SKIP'S TIRE & AUTO CENTE	108960	11/10/16	611.88	
000141	SNAP-ON AUTHORIZED DEALE	108961	11/10/16	45.89	
003196	SONSRAY MACHINERY	108962	11/10/16	217.80	
000143	SUMMIT UNIFORMS	108963	11/10/16	983.97	
001366	U.S. BANCORP OFFICE	108964	11/10/16	1,257.46	
003435	ULTRAMAX	108965	11/10/16	765.00	
001803	VARGAS ACADEMY OF	108966	11/10/16	910.00	
000154	WINCHESTER AUTO STORES	108967	11/10/16	112.05	
001371	YELLICH DDS/GEORGE M	108968	11/10/16	647.50	
	GENERAL CHECKING ACCOUNT			337,614.98	***

BANK	VENDOR	CHECK#	DATE	AMOUNT
REPORT TOTALS:				337,614.98

RECORDS PRINTED - 000201

GL540R

FUND RECAP:

FUND	DESCRIPTION	DISBURSEMENTS
001	GENERAL	55,082.04
002	RECYCLING/ENVIRONMENTAL	4,870.14
004	RECREATION	7,034.47
009	PARKS & REC FACILITIES	10,562.65
010	WASTEWATER OPERATIONS	43,567.56
011	TERTIARY TREATMENT PLANT	788.60
028	SENIOR CENTER	1,421.07
050	PINEWOOD EST LNDSCP MAINT DT	43.60
077	SKYPARK MAINT ASSESS DIST	1,732.25
112	DENTAL INS INTERNAL SERV	2,735.70
123	COMMUNITY FACILITY CENTER	828.65
150	GENERAL CAPITAL IMPROVEMENTS	208,948.25
TOTAL ALL FUNDS		337,614.98

BANK RECAP:

BANK	NAME	DISBURSEMENTS
BA	GENERAL CHECKING ACCOUNT	337,614.98
TOTAL ALL BANKS		337,614.98

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: December 7, 2016

TO: Honorable Mayor and City Council

FROM: Scott Hamby, Public Works Director

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **2016 MEMORANDUM OF AGREEMENT FOR THE SANTA CRUZ INTEGRATED REGIONAL WATER MANAGEMENT PLAN**

SUMMARY OF ISSUE

The Santa Cruz Regional Water Management Group (RWMG), which consists of twelve local agencies, developed an Integrated Regional Water Management Plan (IRWMP) to protect, enhance, develop and maintain water resources throughout the region. These collaborative efforts focus on adequate water supply maintenance, watershed protection and flood and stormwater management. The plan also identifies ways to conserve water and use both water and water related energy efficiently.

On November 4, 2015, the City of Scotts Valley became a partner agency in the Santa Cruz Regional Water Management Group. However, membership requires that the Council authorize the City Manager to sign a Memorandum of Agreement (MOA) for the Santa Cruz Integrated Regional Water Management Plan. The attached 2016 MOA has been updated to reflect activities since 2011, which includes expanding participation to the cities of Capitola and Scotts Valley and San Lorenzo Valley Water District. The updated MOA also includes reference to the Central Coast Integrated Regional Water Management (IRWM) Proposition 1 Funding Agreement that was approved in Spring 2016 by all (RWMG) representatives and five other IRWM regions in the Central Coast. The 2016 MOA has been reviewed by the IRWM Steering Committee and adopted to date by nine agencies.

To date, $14.8 million has been awarded to the Santa Cruz region to support IRWM planning and projects. With the adoption of Proposition 1 in November of 2014, over $43 million in funding for water related grants became available to the Central Coast. In order for the City of Scotts Valley to be eligible for IRWM and related grant funds, the City's projects must be included in the IRWMP.

The Scotts Valley Water District was awarded a grant (Prop 84) for a Low Impact Development retrofit project at the SV Transit Center that will cover 100% of the project costs up to $1,000,000. This project is taking place now.

Other potential grant funded projects specifically benefitting Scotts Valley include implementing advanced treatment methods at the City's recycled water treatment facility to meet requirements for groundwater recharge, wastewater treatment and disposal projects, stormwater system improvement projects that incorporate percolation detention systems and Low Impact Development projects along City sidewalks and at parks.

RWMG members are ensured inclusion in the planning efforts and grant process that are coordinated by the Regional Water Management Foundation, a subsidiary of the Community Foundation of Santa Cruz County, who supports the plan implementation under the guidance of a steering committee made up of four representatives of local agencies. The IRWMP is updated every 5-10 years and was last revised in 2014. The project list is updated more frequently as new projects and funding sources are identified.

FISCAL IMPACT

Participation in the RWMG requires an annual membership fee of $5,000. This fee offsets the costs of the Regional Water Management Foundation to coordinate and administer the Plan. Larger agencies, like the County of Santa County and City of Santa Cruz pay higher membership fee of $10,000. Funds for this fee have been included in the FY 16/17 Wastewater Budget (Fund 10).

STAFF RECOMMENDATION

1. Authorize the City Manager to sign the 2016 MOA for the Santa Cruz Integrated Regional Water Management Plan.

2. Authorize the City Manager to approve payment of $5,000 for the Santa Cruz Regional Water Management Group annual membership fee.

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MEMORANDUM OF AGREEMENT
FOR THE SANTA CRUZ INTEGRATED REGIONAL WATER MANAGEMENT PLAN

1. PURPOSE

The purpose of this interagency cooperative memorandum of agreement (MOA) is to reaffirm the mutual agreements of the participating organizations with respect to their joint efforts in developing, implementing, and updating the Integrated Regional Water Management Plan (IRWMP) that will increase coordination, collaboration and communication in addressing the region's water resources issues. The signatories hereby join together for a common and specific purpose to develop and implement the Santa Cruz IRWMP. This MOA updates and continues the efforts initiated under the previous 2006 and 2011 MOAs.

2. IRWMP GOALS AND OBJECTIVES

The Santa Cruz IRWM Plan goals are intended to be a general summary of the desired state that regional agencies are collectively working to achieve:

- Provide safe, reliable, and affordable water supply to meet current and expected regional demand without causing undesirable environmental impacts.
- Maintain and improve regional surface and groundwater quality to protect beneficial uses.
- Improve the condition of upland riparian and aquatic ecosystems to support the native species, watershed functions, and regional water needs.
- Reduce flood hazards and manage stormwater runoff through policies and projects that enhance natural hydrologic function and protect communities.

Objectives for the Santa Cruz Integrated Regional Water Management (IRWM) are listed below, according to the four functional areas. Each objective is measurable by indicators that are specific, quantifiable, time-limited enabling performance of the IRWMP to be evaluated over time.

Water Supply

- Ensure a reliable and sustainable water supply through strategies that diversify the supply portfolio, develop alternative/supplemental sources, protect and enhance surface water and groundwater, protect against seawater intrusion, and maximize efficient delivery and use.
- Reduce water demand as technically and economically feasible, particularly in relation to the cost of additional sources.

Water Quality

- Reduce the sources of harmful pollutants (e.g., sediment, bacteria, nitrate, persistent organics and other toxic constituents) and their impacts on aquatic resources.

Watershed Resources

- Improve and protect watershed ecosystems to support healthy watershed function.
- Increase the habitat quality and quantity of critical aquatic ecosystems (i.e., streams, tidal wetlands, and freshwater wetlands).

Flood/Stormwater

- Implement integrated flood management strategies that reduce hazards and impacts from floods and provide diverse benefits (e.g., improve stormwater quality, protect ecosystems, increase groundwater recharge).

3. DEFINITIONS

3.1. **Integrated Regional Water Management Plan (IRWMP).** The California Water Code defines IRWMP as "a comprehensive plan for a defined geographic area, the specific development, content, and adoption of which shall satisfy requirements developed pursuant to this part. At a minimum, an Integrated Regional Water Management Plan describes the major water-related objectives and conflicts within a region, considers a broad variety of resource management strategies, identifies the appropriate mix of water demand and supply management alternatives, water quality protection, and environmental stewardship actions to provide long-term, reliable, and high-quality water supply and protect the environment, and identifies disadvantaged communities in the region and takes the water-related needs of those communities into consideration." (*CWC §10530 et seq.)*

3.2. **IRWM Planning Region** also known as the IRWM Region. The geographic area in which consolidated planning and coordination efforts including stakeholders, agencies and projects are conducted. Regions are self-forming and organizing. Regions are to be geographically contiguous and determined with regard to shared water management issues, stakeholders, and water-related conflicts. In March 2009, the California Department of Water Resources' (DWR) established a Region Acceptance Process to evaluate and approve an IRWM region. Approval of an IRWM region by DWR is required before a region can submit an application for IRWM grant funds. There are 48 IRWM regions statewide, six IRWM regions in the Central Coast Funding Area. In September 2009, DWR formally approved the Santa Cruz IRWM region. The Santa Cruz region encompasses all of the watersheds of Santa Cruz County, excluding the Pajaro watershed, but including the Watsonville Sloughs watershed. The Pajaro watershed is within the adjacent Pajaro IRWM region.

3.3. **Central Coast Funding Area (CCFA).** The Central Coast Funding Area (CCFA) is one of 12 funding areas statewide allocated a specific amount of funding to support IRWM activities (Water Code section 79744 (a)). The CCFA includes six IRWM Regions and incorporates lands in portions of the counties of Santa Clara (south of Morgan Hill), San Mateo (southern portion), Santa Cruz, San Benito, Monterey, Kern (small portions), San Luis Obispo, Santa Barbara, Ventura (northern portion).

3.4. **Regional Water Management Group (RWMG).** State guidelines define the RWMG as a group of three or more agencies, at least two of which have a statutory authority over water supply or water management, as well as those persons who may be necessary for the development and implementation of an IRWM Plan, pursuant to the requirements in CWC §10540 and §10541.

For the Santa Cruz IRWM program, the RWMG consists of local agencies with statutory authority over water management and related resources, and the Regional Water Management Foundation (RWMF) which serves as the administrative entity. The RWMG presently includes:

- Central Water District
- City of Capitola
- City of Santa Cruz
- City of Scotts Valley
- City of Watsonville
- County of Santa Cruz
- Santa Cruz County Sanitation District
- Davenport County Sanitation District
- Resource Conservation District of Santa Cruz County
- San Lorenzo Valley Water District
- Scotts Valley Water District
- Soquel Creek Water District
- Regional Water Management Foundation

3.5. **Steering Committee.** The Santa Cruz IRWM Steering Committee is an active, decision-making sub-group of the RWMG that is designed to be broad representative of the RWMG yet small enough to effectively make decisions in a timely manner. The Steering Committee meets on a regular basis to oversee IRWMP implementation and coordinate efforts as needed. The Steering Committee currently consists of the County Water Resources Division Director, the Executive Director of the Resource Conservation District, and the General Manager/Director of a water supply agency. These individuals continue to serve as the Steering Committee unless a majority vote of the Partner Agencies (based on one vote per agency) replaces all or some of the Steering Committee members or a replacement is necessary due to an individual's resignation. The Steering Committee is to provide representation for the four functional planning areas – water supply, water quality, watershed resources, and flood/stormwater management. Since 2014, a Director of a public works agency has participated in Steering Committee meetings. The RWMF program director participates as a non-voting member of the Steering Committee and provides staff support. All Steering Committee decisions with material financial implications shall be ratified by the RWMG.

The Steering Committee provides information and consults with the RWMG, and performs the following functions on behalf of the RWMG

- guides IRWM Plan development and implementation;
- acts as a liaison to the Regional Water Management Foundation (see below) and all

stakeholders, including state agencies, elected officials, and the public;
- coordinates funding proposals;
- promotes project integration of multi-benefit projects;
- ensures stakeholder participation; and,
- tends to administrative matters concerning IRWM efforts.

3.6. **Regional Water Management Foundation (RWMF).** The RWMF was established in 2007 to provide an organizational structure to support the implementation of the Santa Cruz IRWMP. The RWMF is a subsidiary of the Community Foundation Santa Cruz County (CFSCC). The RWMF is a separate 501(c)(3) tax-exempt nonprofit organization. It has its own Board of Directors and staff, with an office located at the CFSCC. The seven member Board, includes four directors appointed by the Community Foundation and three Public Agency directors; currently, the Public Agency director seats are filled by the Steering Committee members. The primary objectives of the RWMF are to (1) protect communities in Santa Cruz County from water shortages and floods; (2) protect and improve water quality and the natural environment in Santa Cruz County; and, (3) improve water supply reliability in Santa Cruz County.

The RWMF served as the grantee on prior IRWM grants awarded to the Santa Cruz region, including: a 2007 IRWM Implementation grant, a 2011 IRWM Planning grant; a 2013 Disadvantaged Communities Engagement Pilot Project; a 2016 IRWM Implementation Grant. The RWMF provided management and administration of these grants and served as the central hub for reporting, invoicing, and inter-agency coordination. The RWMF has also assisted with the preparation of grant applications and provided administrative services to agencies awarded grants that are complementary to IRWM efforts.

3.7. **IRWM Stakeholders.** Stakeholder group includes a diverse range of resource agencies, municipalities, local districts, interest groups, and residents with an interest in water resources planning and management. Efforts to engage, inform and provide opportunities for stakeholders to actively participate in IRWM have occurred from the program's inception. The stakeholder engagement seeks to ensure that diverse interests and perspectives are considered in establishing the region's water management goals, objectives, strategies and priorities. Local agencies, organizations, and stakeholders have opportunities for input on the IRWM Plan development and specific projects through meetings and workshops and the broader community informed through boards, advisory groups, meetings and events.

3.8. **IRWM Projects.** The California Water Code (§10537) establishes that IRWM projects and programs are those that accomplish any of the following objectives;

a) Reduce water demand through agricultural and urban water use efficiency.

b) Increase water supplies for any beneficial use through the use of any of the following, or other, means:
   1. Groundwater storage and conjunctive water management
   2. Desalination

3. Precipitation enhancement
4. Water recycling
5. Regional and local surface storage
6. Water use efficiency
7. Stormwater management

c) Improve operational efficiency and water supply reliability, including conveyance facilities, system reoperation, and water transfers.

d) Improve water quality, including drinking water treatment and distribution, groundwater and aquifer remediation, matching water quality to water use, wastewater treatment, water pollution prevention, and management of urban and agricultural runoff.

e) Improve resource stewardship, including agricultural lands stewardship, ecosystem restoration, flood plain management; recharge area protection, urban land use management, groundwater management, water-dependent recreation, fishery restoration, including fish passage improvement, and watershed management.

f) Improve flood management through structural and non-structural means, or by any other means.

4. SUMMARY OF SANTA CRUZ IRWM EFFORTS TO DATE

2005 – A Preliminary IRWMP was developed and a Proposition 50 IRWM grant proposal submitted to the Department of Water Resources and the State Water Resources Control Board, with the Community Foundation of Santa Cruz County (CFSCC) serving as applicant at the behest of the Partner Agencies.

2006 – The Partner Agencies (presently referred to as the Regional Water Management Group) entered into a Memorandum of Agreement (MOA) to establish an institutional framework to implement the IRWMP under the context of a single, regional grant agreement. The MOA describes the Partner Agencies' and CFSCC's responsibilities to fulfill the terms of the Prop 50 IRWM Implementation grant agreement. Signatories to the 2006 MOA include:

- Soquel Creek Water District
- Scotts Valley Water District
- County of Santa Cruz
- Resource Conservation District of Santa Cruz County
- Santa Cruz County Sanitation District
- Davenport County Sanitation District
- City of Santa Cruz
- City of Watsonville
- Watsonville Wetlands Watch
- Community Foundation of Santa Cruz County

2007 – The SWRCB awarded a $12.5 million grant to the CFSCC to fund the implementation of high priority IRMW projects in the region. In 2007, the CFSCC created a subsidiary organization, the RWMF, to support the IRWMP efforts and the Prop 50 administrative duties.

2008 – The RWMF and SWRCB executed a Proposition 50 IRWM Implementation Grant that awarded $12.5m for local agencies to implement 15 high priority components addressing water supply, water quality, and watershed/habitat condition. Many of components feature multi-benefit projects with on-the ground improvements in multiple locations. In total, over 50 projects were completed at more than 80 sites in the County from 2008 - 2013. The total cost of the implementation, including local match contribution, was over $30m. The RWMF served as grantee and provided the administration and coordination of this grant.

2009 – The Santa Cruz Region successfully completed the state's IRWM Regional Acceptance Process, through which the region was formally evaluated and approved by the Dept. of Water Resources. Approval is a requirement to be eligible for IRWM grant funding. This effort was coordinated by the Santa Cruz IRWM Steering Committee with the RWMF and consultant support.

2010 – The Santa Cruz Region conducted an open solicitation for partners, affiliates, and stakeholders to submit planning and implementation projects for inclusion in the IRWMP. Also, local agencies initiated the renewal and update of the 2006 IRWM Memorandum of Agreement. Central Water District joined as new signatory.

2011 – The RWMF and DWR executed a Proposition 84 IRWM Planning Grant that awarded approximately $1m for IRWM planning efforts in the region. The grant funded an update of the 2005 IRWM Plan and key technical studies to inform water resources management. The technical studies included: Aromas and Purisima Groundwater Basin Management; Santa Margarita Groundwater Basin Model Update; Conjunctive Use and Water Transfers (Phase II); and Watsonville Sloughs hydrology study.

2013 – The Santa Cruz Region was one of seven regions selected statewide to participate in a pilot project to identify methods and strategies to enhance economically disadvantaged community participation in the IRWM planning process. The RWMF served as grantee and supported this work that targeted efforts in Watsonville and Davenport.

2014 – A comprehensive update of the Santa Cruz IRWM Plan was completed. The Plan was reviewed and approved by the Department of Water Resources. Each of the Santa Cruz RWMG agencies formally approved the Plan through a publicly noticed process.

2015 – The City of Capitola and the City of Scotts Valley formally join the RWMG. With these additions, all municipalities within the IRWM region are members of the RWMG and have approved the 2014 IRWM Plan.

2016 – The DWR recommended the Santa Cruz IRWM region receive a $1.2m grant to implement three projects to enhance water supply reliability, improve drinking water quality, and provide recycled water.

5. PROPOSITION 1 FUNDING FOR IRWM AND CENTRAL COAST FUNDING AREA COOPERATIVE AGREEMENT

Proposition 1 (Water Code §79744) authorized $510 million for projects that are included in and implemented in an adopted IRWM plan that is consistent with Water Code §10530, et seq., and respond to climate change and contribute to regional water security. Funding is administered by the Department of Water Resources (DWR) which awards funding through competitive grants for IRWM planning and projects. $510 million is allocated across 12 hydrologic region-based Funding Areas; $43 million is allocated to the Central Coast Funding Area.

Since 2005, the six CCFA IRWM regions have worked to improve the IRWM planning process, to coordinate planning across region boundaries, and to facilitate the distribution of funding for IRWM projects by DWR. In May 2016, the CCFA IRWM regions entered into a Memorandum of Agreement (CCFA MOA) (incorporated herein by this reference). The primary intent of the CCFA MOA is to share Proposition 1 IRWM funding allocated to the CCFA among the six IRWM regions in a fair and equitable manner. The CCFA MOA will enhance the potential to improve inter-regional cooperation and efficiency. The CCFA MOA is also intended to reduce the need for the regions to compete against each other for grant funds, which creates unnecessary economic inefficiencies in implementing each region's IRWM Plan. Each region will retain autonomous control over how funds are allocated within their respective IRWM regions. Each IRWM region will independently determine and prioritize projects to be funded within its IRWM region consistent with the IRWM program guidelines.

The CCFA is allocated $43 million through Proposition 1 for the IRWM program. This funding allocation includes the following breakdown:

IRWM Central Coast Funding Area allocation	$ 43,000,000
State Administration Fee[1] - 7% of Funding Area Total	$ 3,010,000
DAC Specific Funding Allocations - 20% of Funding Area Total DAC involvement funding[2] (10%) DAC project implementation[2] (10%)	 $ 4,300,000 $ 4,300,000
Implementation and Planning Grants	$ 31,390,000

Per the CCFA MOA, the formula for sharing funds is based on the following: one-half (50%) of funds are equally split among the six IRWM regions; one-quarter (25%) of funds are split based on population percentage of each region based on 2009-2013 American Census Data; and one-quarter (25%) of funds are split based on the percentage of area in square miles of each region. As mandated under Proposition 1 IRWM guidelines, not less than $8.6M, or

[1] State of California administrative fees (7%) consisting of 5% for DWR program administration and 2% for statewide bond costs.
[2] Per Proposition 1, 20% of the Funding Area allocation is to be award for projects and planning efforts that directly benefit economically Disadvantaged Communities (DAC) with 10% directed towards Involvement and 10% towards project implementation.

20%, shall be allocated to projects that directly benefit Disadvantaged Communities (DAC); these funds may be awarded on a competitive or non-competitive basis. The CCFA regions will coordinate on grant funding requests by each of the regions to ensure that the sum of the total grant requests from the Funding Area does not exceed the amount allocated to the Funding Area. The division of funding shall be consistent terms of the CCFA MOA.

	Santa Cruz	Pajaro	Greater Monterey	Monterey Peninsula	San Luis Obispo	Santa Barbara	Total CCFA
Description	ALLOCATIONS						
DAC support	$1,109,810	$1,340,107	$1,775,034	$931,966	$1,712,669	$1,730,414	$8,600,000
Implementation	$4,050,805	$4,891,390	$6,478,875	$3,401,677	$6,251,243	$6,316,010	$31,390,000
Subtotal	**$5,160,615**	**$6,231,497**	**$8,253,910**	**$4,333,643**	**$7,963,912**	**$8,046,424**	**$39,990,000**
State Admin Fee							$3,010,000
Total							$43,000,000

6. IRWM COLLABORATION

In implementing IRWM planning and projects, the participating agencies are committed to:

6.1 Establish and foster relationships with regional, state, and local governments, individuals, and other interested organizations to develop and implement management practices to preserve and protect Santa Cruz County water resources.

- a. Undertake cooperative research and resource management initiatives that are regional in scope and disseminate information resulting from these activities.
- b. Produce and share relevant informational materials among the RWMG.
- c. Recommend to the respective governing boards actions necessary to successfully develop and implement the IRWMP.

6.2 All parties to this agreement wish to join in a common effort to develop and implement an IRWMP which shall include, but not be limited to establishing water quality, water supply, watershed stewardship, and stormwater and flood management objectives for the Santa Cruz IRWM Region.

6.3 As with IRWM efforts to date, the RWMG will contribute the personnel and financial resources necessary to develop and implement the IRWMP proportional to their potential benefit.

6.4 As new partners elect to participate, they shall approve and execute this Memorandum of Agreement which establishes the understanding among participating agencies with regard to the purposes, development, and implementation of the Santa Cruz IRWMP.

6.5 In the event of future IRWM-related grant awards, sub-grantee agreements are anticipated to be developed that establish the specific roles and responsibilities of the grantee and sub-grantee based upon the terms and conditions of the grant award.

7. IRWMP AMENDMENTS, FORMAL UPDATES, AND PROJECT LIST UPDATES

The Santa Cruz IRWMP is intended to be a dynamic document that changes over time in response to changing conditions and priorities in order to remain current in identifying strategies to address the region's water resource needs. The updates serve to keep the document up to date with the state's IRWM Plan Standards including amendments, formal updates, and updates to the IRWMP Project List.

7.1 **Amendments.** Amendments to the IRWMP may include informal changes that reflect minor process or organizational changes that occur relatively frequently and do not necessitate a decision by the governing bodies of the individual RWMG entities. Amendments may also include new content in response to state legislation (e.g., SB985, AB1249) to ensure the IRWMP meets the IRWM Plan Standards for state funding eligibility. The IRWM Steering Committee will provide guidance and coordination of amendments. A RWMG member agency may present an amendment for consideration to the Steering Committee. The RWMG will be informed of and provided opportunity for input on proposed interim amendments. The Steering Committee will ratify amendments by consensus. As necessary, amendments will be incorporated into the IRWMP during the next formal update.

7.2 **Formal updates.** Formal updates will reflect any significant changes to IRWMP including processes, organizational structure and governance, water management conditions, or goals and objectives, An IRWMP update is a time and resource intensive undertaking. DWR encourages IRWM regions to formally review, revise as needed, and adopt the IRWMP no less frequently than every five years. The Santa Cruz region will strive to adhere to this recommended review and update frequency. The Steering Committee will provide a leadership role in guiding and coordinating the formal updates to ensure an inclusive and transparent decision making process. Formal updates will include stakeholder outreach, including disadvantaged communities, to ensure that interested entities have the opportunity to participate. Following completion of the IRWMP update, it is expected that it will be approved and adopted in accordance with section 8.4 of this MOA.

7.3 **Project list updates.** The IRWMP includes a list of projects, submitted by proponents, such as a RWMG member agencies or stakeholder organizations, which were evaluated and included based upon each project's anticipated contribution towards meeting the goals and objectives of the IRWMP. The list of projects will be periodically updated as projects are completed and as new priorities arise. The Steering Committee is tasked with coordinating updates. The Steering Committee will conduct a review of the Project List no less frequently than every five years, and as needed, initiate and coordinate a publicly announced solicitation for projects. Projects may also be submitted for addition to the list during interim periods. Projects submitted will be vetted for eligibility by the Steering Committee; eligible projects will be added to the list of IRWMP Projects and incorporated into future IRWMP updates

8. MUTUAL UNDERSTANDINGS

8.1 **Purpose of the MOA.** This MOA pertains to the joint efforts of the participating agencies in developing, implementing, and updating an IRWMP that will increase coordination, collaboration and communication in addressing the region's water resources issues. This MOA updates and continues the efforts initiated under the prior MOA executed in 2006 and renewed in 2011.

8.2 **Subject matter scope of the IRWMP.** The IRWMP will include, but may not necessarily be limited to, water supply, water quality, wastewater, recycled water, water conservation, stormwater and flood management, watershed planning and habitat protection and restoration.

8.3 **Decision-making.** Consensus will be sought in decision making. The Steering Committee will provide a lead role in the decision making process and coordinating input from the participating agencies. As needed, the Steering Committee will ratify decisions by majority vote. Amendments resulting in material financial implications shall also be ratified by a majority of the RWMG. Votes shall be recorded as one vote per signatory agency.

8.4 **Approval of the IRWMP.** IRWMP approval and adoption will occur by the RWMG entities by resolution adopted by each corresponding governing body.

8.5 **Relation to local planning efforts.** The Santa Cruz IRWMP is intended to be complementary to the participating agencies' individual plans and programs and does not supersede such plans and programs.

8.6 **Termination**. An agency may terminate their participation in the IRWMP effort by providing 90 calendar days written notice to the Regional Water Management Foundation.

8.7 **Personnel and financial resources**. It is expected that agencies and organizations will contribute the personnel and financial resources necessary to develop and implement the IRWMP.

8.8 **Reports and communications.** The Steering Committee will regularly report on IRWMP progress to the participating agencies and stakeholders.. The SantaCruzlRWMP.org website will be used for disseminating news, reports and updates to the participating agencies and the public.

8.9 **Future awards.** In the event of future grant awards, it is expected that agreement(s) will be entered into by the applicable participating agencies that establish the terms and conditions applicable to the specific grant award.

8.10 **Term**. This MOA shall commence as of October 1, 2016 and shall continue until terminated by action of the Parties. This agreement shall be evaluated and reviewed no later than five years after its implementation, at which time, recommendations for improvements and modifications shall be considered by all parties. Any amendment or modification to this agreement shall be in writing, agreed upon by all signatories, executed by the duly authorized representatives of the parties hereto, and incorporated into this agreement by reference.

9. SIGNATORIES TO THE MEMORANDUM OF AGREEMENT

We, the undersigned representatives of our respective agencies, acknowledge the above as our understanding of how the Santa Cruz Integrated Regional Water Management Plan will be developed and implemented.

Each party has full power and authority to enter into and perform this MOA and the person signing this MOA on behalf of each party is authorized and empowered to enter into this MOA. Each party further acknowledges that it has read this MOA, understands it and agrees to it.

MEMORANDUM OF AGREEMENT FOR THE SANTA CRUZ INTEGRATED REGIONAL WATER MANAGEMENT	
Central Water District	Signature:______________________________ Ralph Bracamonte, General Manager Date:__________________________________
City of Capitola	Signature:______________________________ Jamie Goldstein, City Manager Date:__________________________________

MEMORANDUM OF AGREEMENT FOR THE SANTA CRUZ INTEGRATED REGIONAL WATER MANAGEMENT	
City of Santa Cruz	Signature:____________________ Martín Bernal, City Manager Date:____________________
City of Scotts Valley	Signature:____________________ Jenny Haruyama, City Manager Date:____________________
City of Watsonville	Signature:____________________ Charles A. Montoya, City Manager Date:____________________

MEMORANDUM OF AGREEMENT FOR THE SANTA CRUZ INTEGRATED REGIONAL WATER MANAGEMENT	
County of Santa Cruz	Signature:____________________ Susan A. Mauriello, County Administrative Officer Date:____________________
County of Santa Cruz Sanitation District	Signature:____________________ John J. Presleigh, Director of Public Works Date:____________________
Davenport County Sanitation District (County of Santa Cruz)	Signature:____________________ John J. Presleigh, Director of Public Works Date:____________________

MEMORANDUM OF AGREEMENT FOR THE SANTA CRUZ INTEGRATED REGIONAL WATER MANAGEMENT	
Resource Conservation District of Santa Cruz County	Signature:__________ James McKenna. Board President Date:__________
San Lorenzo Valley Water District	Signature:__________ Brian Lee, General Manager Date:__________
Scotts Valley Water District	Signature:__________ Piret Harmon, General Manager Date:__________

MEMORANDUM OF AGREEMENT FOR THE SANTA CRUZ INTEGRATED REGIONAL WATER MANAGEMENT	
Soquel Creek Water District	Signature:____________________________________ Ron Duncan, General Manager Date:___________________________________
Regional Water Management Foundation	Signature:____________________________________ Ralph Miljanich, Board President Date:___________________________________

City of Scotts Valley
STAFF REPORT

DATE: December 7, 2016

TO: Honorable Mayor and City Council

FROM: Laurie Grundy, Accountant II

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **ACCEPTANCE OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDING JUNE 30, 2016**

SUMMARY OF ISSUE

Following the close of each fiscal year, the City's external auditors conduct an audit of the City's financial records and assist in the compilation of the Comprehensive Annual Financial Report (CAFR). The CAFR provides an independent review of the City's financial reporting processes and internal controls. The audit for the fiscal year ending June 30, 2016, was completed by Marcello and Company - Certified Public Accountants. Marcello and Company was selected by the Council as the City's independent auditor on August 8, 2014. This is the auditor's third year of a three-year contract, with an option to extend an additional two years.

Marcello and Company issued an unmodified ("clean") opinion on the CAFR which states that the City's financial statements are presented fairly, in all material respects. The results of the CAFR indicate that the City is in good financial health and maintains control over budgeted activities.

As of June 30, 2016, the City's government-wide net position totaled $36.966 million, with overall assets trending higher than liabilities. Compared to the prior year, the City's net position reflected a decrease of $1.999 million. This change was driven by decreases in capital grant program revenue due to two grant-funded projects in the prior year, and increases in contract expenses for building, engineering, and wastewater services, and wastewater equipment maintenance. The City's General Fund Balance of $2.996 million remains strong, of which $2.897 million is unassigned and available for expenditure.

The City's financial statements provide information about the finances of the City in its entirety, as well as information about individual funds. The Management's Discussion and Analysis (MD&A) starts the financial section of the report and serves as an executive summary to the statements. The Letter of Transmittal, which is included in the introductory section, is designed to complement the MD&A. Both should be read together in order to understand the City's financial position.

Following the MD&A are the Government-Wide Financial Statements, which are designed to provide a broad overview of the City's finances similar to a private sector business. These statements show the June 30, 2016 fiscal year balances and overall results of operations for all City funds. The Statement of Activities identifies functions of the City that are principally supported by taxes and those that receive program revenues. Governmental activities are those that are principally supported by taxes and program revenues. The governmental activities of the City include general government; public safety, planning and building, public works, wastewater, and recreation services; and interest on long-term debt.

Following the Government-Wide Financial Statements are Fund Financial Statements for all major and non-major funds of the City. A major fund is one of material significance and is determined through prescribed calculations. The General Fund is always considered a major fund by definition. Non-major funds are all combined together for presentation. All of the fund-level statements are followed by the Notes to the Basic Financial Statements, which contain information on such topics as: Significant Accounting Policies, Cash and Investments, Capital Assets, Long-Term Debt, Retirements Benefits, and Other Post Employment Benefits (OPEB).

The last section of the CAFR, which is unaudited, contains schedules of statistical data about the City of Scotts Valley in five major categories: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information. These schedules, generally covering a ten-year period, provide operating context for the financial data presented in the financial section of the CAFR.

As a part of the annual audit, the auditors are also required to report to management about internal controls and the City's compliance with federal grant regulations. For Fiscal Year ending June 30, 2016, there was no requirement for a Single Audit Report.

Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City of Scotts Valley's financial statements in conformance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Following Council's acceptance of the CAFR, it will be submitted to the Governmental Finance Officers Association (GFOA) for consideration as part of the Certificate for Excellence in Financial Reporting program. The GFOA is a nationally recognized nonprofit professional association serving finance professionals throughout the United States and Canada. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The City has received the GFOA certification for over 20 years.

FISCAL IMPACT

The City is required to issue independent audited financial statements on an annual basis. The City Council is asked to receive and file the CAFR once presented by City staff. The cost of preparing the CAFR and the independent audit was budgeted as part of the FY 2016/17 operating budget. There is no fiscal impact as a result of accepting the attached report.

STAFF RECOMMENDATION

It is recommended that the City Council accept the CAFR for the fiscal year ending June 30, 2016 and allocate the FY 2015/16 General Fund excess revenue of $66,652 to the Unassigned Reserve in Fund Balance.

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California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended
June 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Of

THE CITY OF SCOTTS VALLEY,
STATE OF CALIFORNIA

For the Fiscal Year Ended June 30, 2016

Jenny Haruyama
City Manager

CITY OF SCOTTS VALLEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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CITY OF SCOTTS VALLEY

OFFICE OF THE CITY MANAGER
One Civic Center Drive □ Scotts Valley □ California □ 95066
Phone (831) 440-5600 □ Facsimile (831) 438-2793 □ www.scottsvalley.org

October 19, 2016

Honorable Mayor and City Council
City of Scotts Valley
One Civic Center Drive
Scotts Valley, CA 95066

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT - JUNE 30, 2016

Honorable Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) for the City of Scotts Valley for the fiscal year ended June 30, 2016 is hereby submitted. The responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. The CAFR is accurate in all material respects and sets forth the financial position of the City. The report reflects the necessary disclosures enabling readers to gain a deeper understanding of the City's financial and operational activities. These statements have been audited by the City's independent auditor, Marcello and Company, who issued an unqualified opinion. The Auditors' Report is included in this report.

In accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), and the standards adopted by the Governmental Accounting Standards Board, the accompanying report consists of three parts:

I. Introductory Section – Letter of Transmittal, List of Principal Officials and Organization Chart, Certificate of Achievement from the GFOA.

II. Financial Section – Independent Auditors' Report, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements followed by Required Supplementary Information and combining statements of the Non-major Fund Financial Statements.

III. Statistical Section – Presenting ten year historical trends of financial and non-financial information.

Accounting principles, generally accepted in the United States of America, require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A follows the report of the independent auditors.

REPORTING ENTITY AND SERIVICES PROVIDED

The City of Scotts Valley is a general law city incorporated in 1966. It operates under a council-manager form of government and provides the following range of municipal services: police, parks, recreation, sanitary sewer, streets and roads, public improvements, planning and zoning, construction inspection, and general administrative services. The City provides its sanitary sewer services through its wastewater fund and its recreational programs through its recreation fund, both of which are intended to be funded through user fees.

This report includes all the funds of the City. The financial statements also include the accounts of the following separate legal entity:

- Scotts Valley Public Financing Authority

The accounts of this entity are blended into the City's financial statements in accordance with Governmental Accounting Standards Board Statement No. 14. Note 1 to the financial statements provides further information regarding this entity.

MAJOR INITIATIVES

During fiscal year 2015/16, the City accomplished the following:

- Completion of the Housing Element plan.
- Negotiated an agreement to provide secondary water to Pasatiempo Golf Course.
- Completion of sidewalk and drainage improvements at Skypark Park.
- Replacement and upgrade of equipment at the Wastewater Treatment Plant, including a new alarm system.

The following are current and future projects:

- Development of the City's Town Center, a mixed use retail/residential project.
- Renovation of a former university site into a private conference center and educational facility.
- Construction of two residential projects: 40 and 50 units, respectively, and two four-lot subdivisions
- Construction of a 128-room hotel and planned construction on a 120-room extended stay hotel.
- Facilitation of the General Plan update.
- Completion of planned intersection improvements to Scotts Valley Drive/Whispering Pines to improve traffic flow.
- Implementation of agreement to provide water to Pasatiempo Golf Course to water greens.

FINANCIAL INFORMATION

Internal and Budgeting Controls: City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, and Internal Service Funds are included in the annual appropriated budget. A Five-Year Financial Plan, or Capital Improvement Plan, is also adopted for the Capital Projects. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. See Note 1 to the financial statements for further information on budgets and budgetary accounting.

As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management.

ECONOMIC FACTORS

The City of Scotts Valley is located in Santa Cruz County, approximately 75 miles south of San Francisco. The average and median prices of single-family homes increased for the fourth straight year, another reflection of the local economy. Average prices had dropped 23% from 2007 to 2008; however, with the improvement in the housing market the last five years, the 2016 prices have surpassed the 2007 levels. The 2016 average price is approximately 2% above the 2007 level and 5% above for the median price. Property values do not have as much an impact on the City's property tax revenue as other cities in Santa Cruz County because the City is a low property tax city. The City receives approximately 6.5% of the assessed property taxes.

Based on information obtained from the Santa Cruz County Association of Realtors, the following is a table of the average and median sales prices of houses sold in Santa Cruz County as of June for each of the last five fiscal years.

	Single-Family Homes			
June 30,	Average Price	Increase (Decrease) Over(Under) Prior Year	Median Price	Increase (Decrease) Over(Under) Prior Year
2012	531,649	(15.2%)	495,000	(9.2%)
2013	667,368	25.5%	585,000	18.2%
2014	763,717	14.4%	699,500	19.6%
2015	800,980	4.9%	725,000	3.6%
2016	905,800	13.1%	800,000	10.3%

Based on information obtained from the Employment Development Department (EDD), the unemployment rates for the City of Scotts Valley, the County of Santa Cruz, and the State of California as of June for the last five fiscal years are shown as follows.

	Unemployment Rate		
June 30,	Scotts Valley	Santa Cruz County	California
2012	4.8%	10.0%	10.6%
2013	4.1%	8.6%	9.2%
2014	3.2%	6.8%	7.3%
2015	5.2%	6.2%	6.3%
2016	5.6%	6.3%	5.7%

OTHER INFORMATION

Independent Audit: The Government Code requires an annual audit by independent certified public accountants selected by the City Council. This requirement has been complied with. The auditors' unqualified opinion has been included in the financial section of this report. The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, unless exempt. The City did not meet the minimum threshold of federal funding to require a single audit for 2015.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Scotts Valley for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standard for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report (CAFR) continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

I want to extend my appreciation to Laurie Grundy, Accountant II, and the Finance Department for helping prepare this report. This would have not been accomplished without their initiative and commitment.

In closing, I would like to recognize the leadership and support of the City Council which was instrumental to the preparation of this report.

Respectfully submitted,

Jenny Haruyama
City Manager

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2016

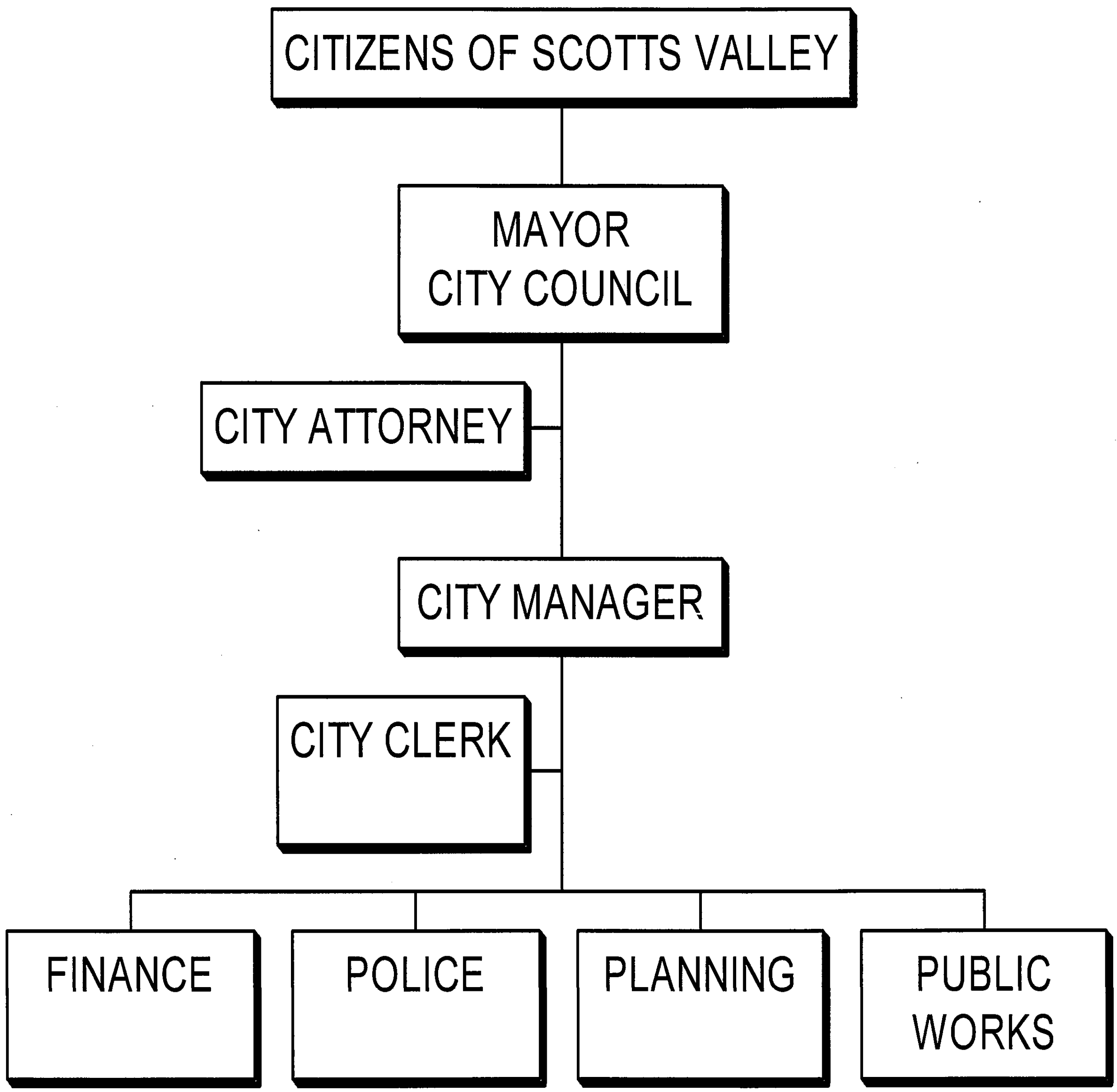
CITY COUNCIL MEMBERS

Donna Lind	Mayor
Randy Johnson	Vice Mayor
Dene Bustichi	Councilmember
Randy Johnson	Councilmember
Jim Reed	Councilmember

CHIEF ADMINISTRATIVE PERSONNEL

Jenny Haruyama	City Manager
Kirsten Powell	City Attorney
Tracy Ferrara	City Clerk
John Weiss	Chief of Police
Scott Hamby	Director of Public Works
Taylor Bateman	Interim Community Development Director

CITY OF SCOTTS VALLEY
ORGANIZATION CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Scotts Valley

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

FINANCIAL SECTION

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MARCELLO & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
City of Scotts Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scotts Valley, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Honorable Mayor
Members of the City Council
City of Scotts Valley, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scotts Valley, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and schedules of funding progress, other postemployment benefits plan schedule and funding progress, and the respective budgetary comparison information of the general and major funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Scotts Valley's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marcello & Company
Certified Public Accountants
Sacramento, California
October 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Scotts Valley's annual financial report presents the City's discussion and analysis of its financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The City's position exceeded liabilities at June 30, 2016, by $36,966,182. The current year change in net position was a decrease of $1,999,383. Of the total net position, $37,721,854 was invested in capital assets (net of related debt) and $6,782,018 had restrictions on their use leaving a negative $7,537,690 as unrestricted. The current decrease in City net position is a combination of the governmental activities decreasing $961,150 and the business-type activities decreasing $1,038,233.

As of June 30, 2016, the City's governmental funds (General Fund, special revenue funds, debt service funds, and capital project funds) had a combined fund balance of $8,431,956, an increase of $68,675 from the previous year. This is mainly a combination of an increase in the General Fund of $66,652, an increase of $20,706 in major funds, and a decrease in the non-major funds of $18,683. Of the total City governmental fund balance, $4,563,161 was restricted, $1,056,113 was assigned, and $2,812,682 was unassigned.

The voters in Scotts Valley approved a half-cent sales tax measure on the November 2013 ballot. The sales tax went into effect on April 1, 2014, and will continue for eight years. Fiscal year ended June 30, 2016, was the second full year for this additional sales tax. The City recorded $1,274,604 for the fiscal year, an increase of $122,803 over the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents a combining statement for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
    - The governmental funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending.
    - Proprietary fund statements offer both short-term and long-term financial information about the activities the government operates like businesses, such as the sewer system.
    - Fiduciary fund statements provide information about the financial relationships (such as special assessment bond funds) in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, the City included a section with combining statements that provide details about the City's non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Figure 1 below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 1
Major Features of the City's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for another entities resources
Required financial statements	Statement of net position Statement of activities	Balance sheet, Statement of revenue, expenditures, and changes in fund balances	Statement of net position; Statement of revenues, expenses, and changes in net position; Statement of cash flows	Statement of fiduciary net position; Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, both short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statement

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City are divided into two categories:

- Government activities: Most of the City's basic services are included here, such as the police, public works, planning, building, park/street maintenance, and general administration. Various taxes, franchise fees, service charges, and investment earnings finance most of these activities.
- Business-type activities: The City charges fees to customers to help cover the cost of certain services it provides. The City's sewer system and recreation programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes such as capital project grant funds or to show that it is properly using certain restricted taxes such as gas tax revenues.

The City has three types of funds:

- Government funds: Most of the City's basic services are included in government funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, there is additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds: Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Internal service funds (the other kind of proprietary fund) report activities that provide supplies and services for the City's other programs and activities, such as the City's Dental Insurance Program.
- Fiduciary funds: The City is the trustee for some bondholders and fiduciary for others of the City's limited obligation improvement bonds associated with various special assessment districts within the City. The City is also responsible for other assets that, because of a trust arrangement, can be used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following analysis pertains to the government-wide statements as described above in the overview of the financial statements.

Net Position: A condensed presentation of the government-wide net position shown below totals $36,966,282 as of June 30, 2016. This is a decrease of $1,999,283, or 5.13%, from the previous year. It is a combination of a decrease in Total Assets and Deferred Outflows of Resources of $1,373,920 and an increase in Total Liabilities and Deferred Inflows of Resources of $625,363. The entire Statement of Net Position can be seen on Page 14.

City of Scotts Valley
Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent
	2016	2015	2016	2015	2016	2015	Change
Current and other assets	$16,323	$16,371	$ 4,562	$ 4,760	$20,885	$21,131	(1.6%)
Capital assets, net	30,686	31,752	12,877	13,536	43,563	45,288	(3.8%)
Total assets	47,009	48,123	17,439	18,296	64,448	66,419	(2.9%)
Deferred Outflows of Resources	1,208	849	412	173	1,620	1,022	58.5%
Total Assets and Deferred Outflows of Resources	**48,217**	**48,972**	**17,851**	**18,469**	**66,068**	**67,442**	**(2.0%)**
Long-term debt outstanding	20,869	19,703	3,297	2,194	24,166	21,897	10,4%
Other liabilities	3,351	3,299	351	360	3,702	3,659	1.2%
Total liabilities	24,220	23,002	3,648	2,554	27,868	25,556	9.1%
Deferred Inflows of Resources	1,415	2,427	(181)	493	1,234	2,920	(57.7%)
Total Liabilities and Deferred Inflows of Resources	**25,635**	**25,429**	**3,467**	**3,047**	**29,102**	**28,476**	**2.1%**
Net position:							
Net Investment in Capital Assets	30,687	25,778	12,878	13,536	43,565	39,314	10.8%
Restricted	5,624	4,706	2,150	2,156	7,774	6,862	13.3%
Unrestricted	(13,729)	(6,941)	(644)	(270)	(14,373)	(7,211)	(99.3%)
Total net position	**$22,582**	**$23,543**	**$14,384**	**$15,422**	**$36,966**	**$38,965**	**(5.1%)**

The main increases (decreases) in total assets and liabilities were as follows:

Cash and Investments	($ 70,835)
Receivables (current and long-term)	(171,531)
Capital Assets, net of depreciation	(1,723,966)
Deferred Outflows of Resources-Pensions	597,830
Liabilities	(158,525)
Net Pension Liability	2,469,649
Deferred Inflows of Resources-Pensions	(1,685,761)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Changes in Net Position: The change in government-wide net position went from an increase of $789,632 in fiscal year 2015 to a decrease of $1,999,283 in fiscal year 2016. This is a result of total revenues decreasing $1,001,700, or 6.5%, and total expenses increasing $1,787,315, or 12.2%. A further analysis is shown below.

	(in thousands of dollars) 2016	2015	Percent Change
Program Revenues	$ 4,906	$ 5,765	(14.9%)
General Revenues	9,531	9,674	(1.5%)
Governmental Expenses	(12,323)	(10,925)	12.8%
Business-type Expenses	(4,113)	(3,724)	10.4%
Net Increase (Decrease)	$ (1,999)	$ 790	(353.0%)

On the next page is a current and prior fiscal year recap of the changes in net position. The entire Statement of Activities can be seen on Page 15.

Revenues:

Program revenues for governmental activities decreased $1,015,098, or 35.6%. This is made up of an increase in charges for services of $42,285 and offset by decreases in operating grants and contributions of $93,677 and in capital grants and contributions of $963,706. Charges for services increased mainly in General Government ($54,014) and Public Works ($187,743) offset with a decrease in Planning/Building ($202,962). Public Works increased mainly due to revenues from the Community Center and Senior Center which are managed by the Public Works department. The decrease in Planning/Building comes from a decrease in new construction permits. The main decrease in capital grants and contributions came in Public Works ($963,706) due to two grant-funded projects in the prior fiscal year which totaled $850,000.

Program revenues for business-type activities increased $156,465, or 5.4%. This is made up of an increase in charges for services of $119,127 and in operating grants and contributions of $86,720 offset by a decrease in capital grants and contributions of $49,382. Charges for services increased in both Wastewater ($100,512) and Recreation ($18,615). Wastewater charges for services increased due to completed new housing projects. Charges for services in recreation programs increased due to a stronger marketing outreach and a rebound in the economy. Capital grants decreased entirely in Wastewater for connection fees.

Expenses:

Governmental activities expense increased by $1,398,539. The largest increase was in Public Safety ($718,359) mainly in salaries, benefits, and pension expense. Increases in Public Works ($326,862), and Planning/Building ($296,199) were the result of using outside contracts for the vacant City Engineer and the Building Inspector positions.

Business-type activities increased $388,776. The increase relates to increases in salaries, benefits, and retirement expense in Wastewater ($236,421) and Recreation of ($126,169). An increase in wastewater equipment maintenance ($72,550) was offset by a decrease in wastewater professional contract services ($27,747) and in utilities and communications ($28,256). Utilities decreased in the wastewater fund due to the installation of new energy saving equipment.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

City of Scotts Valley
Change in Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent
	2016	2015	2016	2015	2016	2015	Change
Program revenues:							
Charges for services	$ 1,148	$ 1,106	$ 2,951	$ 2,831	$ 4,099	$ 3,937	4.1%
Operating grants	502	596	87	-	589	596	(1.2%)
Capital grants	190	1,154	29	78	219	1,232	(82.2%)
General revenues:							
Sales tax	3,534	3,156	-	-	3,534	3,156	11.9%
Property tax	1,314	1,821	-	-	1,314	1,821	(27.8)%
Other taxes	4,168	4,020	-	-	4,168	4,020	3.7%
Investment earnings	39	81	8	6	47	87	(45.9%)
Miscellaneous	467	589	-	-	467	589	(20.7%)
Total revenues	**11,362**	**12,523**	**3,075**	**2,915**	**14,437**	**15,438**	**6.5%**
Expenses:							
General Government	1,906	1,841	-	-	1,906	1,841	3.5%
Public Safety	5,333	4,615	-	-	5,333	4,615	15.6%
Planning & Building	1,224	928	-	-	1,224	928	31.9%
Public Works	3,352	3,025	-	-	3,352	3,025	10.8%
Interest on Debt	508	516	-	-	508	516	(1.6%)
Wastewater	-	-	2,988	2,721	2,988	2,721	9.8%
Recreation	-	-	1,125	1,003	1,125	1,003	12.2%
Total expenses	**12,323**	**10,925**	**4,113**	**3,724**	**16,436**	**14,649**	**12.2%**
Excess or (Deficiency)	**(961)**	**1,598**	**(1,038)**	**(809)**	**(1,999)**	**789**	**(353.4)%**
Transfers	**0**	**(11)**	**0**	**11**	**-**	**-**	
Change in Net Position	**$ (961)**	**$1,587**	**($ 1,038)**	**($ 798)**	**($ 1,999)**	**$ 789**	**(353.4)%**

Net Cost of Services: The table on the next page presents the total cost of each of the City's governmental and business-type activities as well as each activity's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

For governmental activities, the total cost of $12,323,479 were offset by charges for services ($1,148,198), operating grants/contributions ($502,181), and capital grants/contributions ($189,924), bringing the net cost of services to $10,483,176. This is an increase in net cost of $2,413,637 from the prior fiscal year.

For business-type activities, the total cost of $4,112,835 were offset by charges for services ($2,950,334), operating grants/contributions ($86,720) and capital grants/contributions ($28,989), bringing the net cost of services to $1,046,792. This is an increase in net cost of ($232,211 from the prior fiscal year.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

City of Scotts Valley
Net Cost of Governmental and Business-Type Activities
(in thousands of dollars)

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2016	2015	Change	2016	2015	Change
General Government	$ 1,906	$ 1,841	3.5%	$ 1,740	$ 1,724	0.9%
Public Safety	5,333	4,615	15.6%	5,091	4,380	16.3%
Planning & Building	1,224	928	75.8%	714	211	238.4%
Public Works	3,352	3,025	17.4%	2,430	1,239	96.1%
Interest on L-T Debt	508	516	(1.6%)	508	516	(1.6%)
Total	**$ 12,323**	**$ 10,925**	**12.8%**	**$ 10,483**	**$ 8,070**	**23.0%**
Wastewater	$ 2,988	$ 2,721	9.8%	$ 903	$ 774	16.7%
Recreation	1,125	1,003	12.2%	144	40	260.0%
Total	**$ 4,113**	**$ 3,724**	**10.4%**	**$ 1,047**	**$ 814**	**28.6%**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The following analysis pertains to the fund financial statements in the overview of the financial statements.

There are no restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for the future.

To provide an overview of the City's funds, below is a table showing the increases and (decreases) to total assets, liabilities, revenues, and expenditures of the City fund types from fiscal year 2015 to 2016. The total revenues and expenditures do not include any "other financing sources (uses)."

	Increse (Decrease) from Prior Year			
	Assets	Liabilities	Revenues	Expenditures
General Fund	$ 26,176	$ (40,476)	$ (21,628)	$ 987,091
Special Rev Funds	(75,490)	(59,109)	(291,947)	(94,568)
Debt Service Funds	2,191	-	1,191	620
Capital Project Funds	(608,701)	(624,914)	(845,544)	(1,314,723)

The General Fund budget is discussed below under the "Budgetary Highlights."

The largest decrease in assets of the City funds other than the General Fund were the assets in the capital projects funds of $608,701. The decrease is related to the Capital Improvements Fund with a decrease in grant receivable ($850,000) offset by an increase in cash ($241,299). The largest decrease in the liabilities is related to the Capital Improvements Fund with a decrease in the Due to other Funds ($624,146).

The decreases in revenues ($845,544) and expenditures ($1,314,723) in the capital project funds relates to the General Capital Improvements Fund. Both revenues and expenditures decreased dramatically due to two large grant-funded projects completed in the prior fiscal year. The projects completed were the Shugart Park Pathway and bridge and sidewalk improvements to Vine Hill School Road under the Safe Routes to Schools grant.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues were $969,545 (10.3%) higher than the adopted budget due to taxes ($681,703) and charges for services ($208,187). Property tax (TEA) ($226,554), regular and temporary sales tax ($162,181), property tax distribution from the Successor Redevelopment Agency ($13,017), and real estate transfer tax ($11,313) were higher than projected. An adjustment was made to the calculation of prior years TEA property tax resulting in an additional $134,713. Improvements in the economy and housing market also contributed to higher than expected real estate transfer tax. Distributions of property tax from the Successor Redevelopment Agency still continue to be unpredictable and are budgeted at a conservative amount. Charges for services were elevated due to an increase in building activity. Due to increases in PERS rates, all departments experienced an adjustment in pension costs.

Total General Fund expenditures were $771,440 (8.4%) higher than the adopted budget. Sources for the increase were in the following departments and/or divisions.: Building ($273,681), Engineering ($216,691), Administration ($136,918), and Police ($110,408). Due to enhanced building activity, additional hours for contract inspectors were required. Additional engineering services were also necessary given the City Engineer vacancy. Last, Administration expenses were higher due to retirement payouts and the need for temporary executive support. Police services were also elevated due to a temporary increase in staffing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: A recap of the City's capital assets, net of accumulated depreciation, is shown in the table below. The City-wide decrease (net of depreciation) is $1,723,966, or 3.8%. The governmental activities had capital assets additions of $329,851. Current year depreciation was $1,387,748 and disposal of assets resulted in a loss of $7,707. Business-type activities brought capital assets to a net decrease of $658,362. The business-type activities had capital assets additions of $119,440 with current year depreciation expense of $777,802.

City of Scotts Valley
Capital Assets, Net of Depreciation
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2016	2015	2016	2015	2016	2015	
Land	$7,012	$ 7,012	$429	$ 429	$7,441	$ 7,441	(0.0%)
Buildings & Improvements	2,628	2,732	1,644	1,773	4,272	4,505	(5.4%)
Equipment	797	858	1,060	1,077	1,857	1,935	(4.2%)
Infrastructure	20,184	21,142	9,676	10,185	29,860	31,327	(4.9%)
Outfall Agreement	-	-	68	71	68	71	(4.4%)
Construction in Progress	66	8	-	-	66	8	87.9%
Total	$30,687	$31,434	$12,877	$13,535	$43,564	$45,287	(3.9%)

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt: A recap of the City's long-term debt is shown below. Total long-term debt increased $2,268,240, or 10.4%. The main increase during the year was the net pension liability from the GASB (Governmental Accounting Standards Board) Statement No. 68 for governmental activities ($1,481,789) and for business activities ($987,860). This is an actuarially determined amount prepared by California Public Employees Retirement System. The net OPEB obligation is also an actuarially determined amount for Other Post Employment Benefits in accordance with GASB Statement No. 45. The OPEB obligation increased for governmental activities ($219,298) and business activities ($110,830). More detailed information about the City's long-term debt is presented in Note 5 to the financial statements.

City of Scotts Valley
Outstanding Debt
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent
	2016	2015	2016	2015	2016	2015	Change
Certificates of Participation	$5,512	$5,649	$ -	$ -	$5,512	$5,649	(2.4%)
Pension Obligation Bonds	3,335	3,655	-	-	3,335	3,655	(9.6%)
Installment Note	105	110	-	-	105	110	(9.5%)
Accrued Comp Absences	645	719	120	115	765	834	(9.0%)
Net OPEB Obligation	2,235	2,016	654	543	2,889	2,559	11.4%
Net Pension Liability	9,036	7,554	2,523	1,535	11,559	9,089	21.4%
Total	$20,868	$19,703	$ 3,297	$ 2,193	$ 24,165	$21,896	10.4%

NEXT YEAR'S BUDGETS AND RATES

The City continues to have a hiring freeze. As positions become vacant, they are reviewed before deciding whether to fill the vacancy or not. The two exceptions are emergency dispatch and police officers. Police officer positions are capped at two vacancies. The fiscal year 2016-2017 General Fund expenditure budget was approved with a $312,145 (3.4%) increase. The General Fund revenue budget was approved with a $438,755 (4.7%) increase.

CalPERS has provided the City with next year's rate and a projected fiscal year 2017-18 rate. A recap of the retirement rates by fiscal year is shown on the next page. Beginning with fiscal year 2015-16, CalPERS has instituted a flat annual amount as well as a percentage rate on payroll. This is to account for the fact that classic employees will be retiring and replaced with PEPRA employees. PEPRA is the Public Employees Pension Reform Act and covers employees hired on or after January 1, 2013, that are new to the CalPERS retirement system. These employees are provided lower, and less costly, retirement benefits and are accounted separately from the classic employees. With an ever decreasing payroll from classic employees in the future, an annual fixed amount was needed to ensure that the proper amount of contributions is made to the retirement system. The rates for the classic and PEPRA employees are shown on the next page.

NEXT YEAR'S BUDGETS AND RATES (continued)

Fiscal Year	Classic Employees: Miscellaneous Group	Classic Employees: Safety Group	Miscellaneous Group	Safety Group	
2012-13	13.914%	23.681%			Actual
2013-14	14.660%	25.168%			Actual
2014-15	15.701%	26.881%			Actual
2015-16	9.671%	17.557%	$314,464	$215,705	Actual
2016-17	10.069%	18.428%	$363,043	$257,949	Actual
2017-18	10.010%	18.400%	$432,588	$317,954	Projected

Fiscal Year	PEPRA Employees: Miscellaneous Group	PEPRA Employees: Safety Group	
2015-16	6.25%	11.153%	Actual
2016-17	6.55%	12.094%	Actual
2017-18	6.60%	12.100%	Projected

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of Scotts Valley with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Scotts Valley Finance Department, 1 Civic Center Drive, Scotts Valley, CA 95066.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SCOTTS VALLEY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Note 2)	$ 6,664,319	$ 2,651,658	$ 9,315,977
Receivables	1,551,338	309,827	1,861,165
Advances to Redevelopment Successor Agency (Note 3)	5,086,056	1,600,000	6,686,056
Long-term Loans Receivable (Note 3)	2,921,816	-	2,921,816
Restricted Cash with Fiscal Agent	99,003	-	99,003
Capital Assets (Note 4):			
Capital Assets not being depreciated	7,077,797	429,416	7,507,213
Capital Assets, net of depreciation	23,608,853	12,448,103	36,056,956
Total Assets	47,009,182	17,439,004	64,448,186
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pensions (Note 8)	1,208,082	411,749	1,619,831
Total Assets and Deferred Outflows of Resources	48,217,264	17,850,753	66,068,017
LIABILITIES			
Accounts Payable	239,739	123,260	362,999
Accrued Liabilities	155,158	54,116	209,274
Unearned Revenues	-	173,537	173,537
Noncurrent Liabilities (Note 5)			
Due within one year	889,838	36,142	925,980
Due in more than one year	19,978,505	3,260,954	23,239,459
Accrued Interest	2,956,294	-	2,956,294
Total Liabilities	24,219,534	3,648,009	27,867,543
DEFERRED INFLOWS OF RESOURCES			
Deferred Pensions (Note 8)	1,415,316	(181,124)	1,234,192
Total Liabilities and Deferred Inflows of Resources	25,634,850	3,466,885	29,101,735
NET POSITION			
Net Investment in Capital Assets	30,686,650	12,877,519	43,564,169
Restricted	5,624,316	2,150,421	7,774,737
Unrestricted	(13,728,552)	(644,072)	(14,372,624)
Total Net Position	$ 22,582,414	$ 14,383,868	$ 36,966,282

The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

		Program Revenues				Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
Primary Government:								
Governmental Activities:								
General Government	$ 1,905,906	$ 163,755	$ -	$ 2,433	$ 166,188	$ (1,739,718)		$ (1,739,718)
Public Safety	5,332,955	39,246	193,313	8,891	241,450	(5,091,505)		(5,091,505)
Planning & Building	1,223,947	481,578	738	27,968	510,284	(713,663)		(713,663)
Public Works	3,352,397	463,619	308,130	150,632	922,381	(2,430,016)		(2,430,016)
Interest	508,274	-	-	-	-	(508,274)		(508,274)
Total Governmental Activities	12,323,479	1,148,198	502,181	189,924	1,840,303	(10,483,176)		(10,483,176)
Business-Type Activities:								
Wastewater	2,987,794	1,968,900	86,720	28,989	2,084,609		$ (903,185)	(903,185)
Recreation Programs	1,125,041	981,434	-	-	981,434		(143,607)	(143,607)
Total Business-Type Activities	4,112,835	2,950,334	86,720	28,989	3,066,043		(1,046,792)	(1,046,792)
Total Primary Government	$ 16,436,314	$ 4,098,532	$ 588,901	$ 218,913	$ 4,906,346	(10,483,176)	(1,046,792)	(11,529,968)
General Revenues:								
Taxes:								
Sales Tax						3,534,523	-	3,534,523
Property Tax						1,313,578	-	1,313,578
Vehicle In-Lieu Fee						960,758	-	960,758
Franchise Taxes						972,951	-	972,951
Transient Occupancy Tax						1,011,432	-	1,011,432
Utility Users Tax						694,552	-	694,552
Other Taxes						529,092	-	529,092
Investment Earnings						38,666	8,604	47,270
Miscellaneous						466,529	-	466,529
Total General Revenues						9,522,081	8,604	9,530,685
Other Financing Sources (Uses):								
Transfers						(55)	55	-
Total General Revenues and Transfers						9,522,026	8,659	9,530,685
Change in Net Position						(961,150)	(1,038,133)	(1,999,283)
Net Position - Beginning						23,543,564	15,422,001	38,965,565
Net Position, End of Year						$ 22,582,414	$ 14,383,868	$ 36,966,282

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The accompanying notes to the financial statements are an integral part of this financial statement.

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FUND FINANCIAL STATEMENTS

CITY OF SCOTTS VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Successor Housing Agency	General Facility	Traffic Impact Mitigation	General Capital Improvements	Other Governmental Funds	Total
ASSETS							
Cash and Investments	$ 1,563,922	$ 245,236	$ 53,131	$ 1,214,447	$ 241,299	$ 3,305,571	$ 6,623,606
Receivables:							
Due from other Governments	1,549,994	-	-	-	-	-	1,549,994
Other	1,344	-	-	-	-	-	1,344
Due from other Funds	1,171	-	-	-	-	-	1,171
Advances Due from other Funds	139,532	-	-	-	-	-	139,532
Notes Receivable	-	-	-	-	-	550,000	550,000
Restricted Cash with Fiscal Agent	99,003	-	-	-	-	-	99,003
Total Assets	$ 3,354,966	$ 245,236	$ 53,131	$ 1,214,447	$ 241,299	$ 3,855,571	$ 8,964,650
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	$ 204,680	$ 8,174	$ -	$ -	$ 10,795	$ 13,184	$ 236,833
Accrued Liabilities	154,434	-	-	-	-	724	155,158
Accrued Compensated Absenses	-	-	-	-	-	-	-
Due to other Funds	-	-	-	-	-	1,171	1,171
Advances Due to other Funds	-	-	139,532	-	-	-	139,532
Unearned Revenues	-	-	-	-	-	-	-
Total Liabilities	359,114	8,174	139,532	-	10,795	15,079	532,694
Fund Balances:							
Restricted	99,003	237,062	-	1,214,447	230,504	2,782,145	4,563,161
Assigned	-	-	-	-	-	1,058,584	1,058,584
Unassigned	2,896,849	-	(86,401)	-	-	(237)	2,810,211
Total Fund Balances	2,995,852	237,062	(86,401)	1,214,447	230,504	3,840,492	8,431,956
Total Liabilities and Fund Balances	$ 3,354,966	$ 245,236	$ 53,131	$ 1,214,447	$ 241,299	$ 3,855,571	$ 8,964,650

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Total Governmental Funds (Page 18)	$ 8,431,956
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Long-term loans receivable are not current financial resourses and, therefore, are offset in the Governmental Funds Balance Sheet by a corresponding amount of deferred revenue under liabilities.	7,457,872
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	30,686,650
Deferred outflows of resources reported on the Government-Wide Statement of Net Position.	1,208,082
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liablility in the Governmental Funds Balance Sheet.	(2,956,294)
An Internal Service Fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of this Internal Service Fund are included in governmental activities in the Government-Wide Statement of Net Position.	37,807
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	
1997 Certificates of Participation	(1,250,588)
2013 Certificates of Participation	(4,340,000)
Installment Notes	(105,000)
Pension Obligaion Bonds	(3,335,000)
Compensated Absences	(645,205)
Net OPEB Obligation	(2,235,356)
Net Pension Liability	(9,035,467)
Deferred inflows of resources reported on the Government-Wide Statement of Net Position.	(1,415,316)
The discounts received on the issuance of long-term debt are deferred and amortized over the life of the debt on the Government-Wide Statement of Net Position.	78,273
Net Position of Governmental Activities (Page 14)	$ 22,582,414

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Successor Housing Agency	General Facility	Traffic Impact Mitigation	General Capital Improvements	Other Governmental Funds	Total
Revenues:							
Taxes and Assessments	$ 9,080,863	$ -	$ -	$ -	$ -	$ 281,230	$ 9,362,093
Intergovernmental Revenues	41,791	-	-	-	-	110,962	152,753
Fees and Services	781,012	-	2,215	81,216	-	328,543	1,192,986
Fines and Forfeitures	35,411	-	-	-	-	-	35,411
Investment Earnings	14,456	20,734	218	4,434	2,020	12,998	54,860
Contributions, Non-Government	-	-	-	-	-	2,306	2,306
Facility/Building Rental	-	44,910	-	-	-	-	44,910
Miscellaneous Revenues	414,637	71,416	-	-	10,376	20,635	517,064
Total Revenues	10,368,170	137,060	2,433	85,650	12,396	756,674	11,362,383
Expenditures:							
Current:							
General Government	1,942,304	-	85	-	-	-	1,942,389
Public Safety	4,846,863	-	-	-	-	80,850	4,927,713
Planning and Building	1,044,567	113,527	-	-	-	24,622	1,182,716
Public Works	1,691,210	-	-	29,508	-	258,686	1,979,404
Capital Outlay	9,969	-	57,220	57,810	87,710	233,664	446,373
Debt Service:							
Principal	145,000	-	-	-	-	320,000	465,000
Interest and Finance Charges	222,345	-	-	-	-	127,713	350,058
Total Expenditures	9,902,258	113,527	57,305	87,318	87,710	1,045,535	11,293,653
Excess of Revenues over(under) Expenditures	465,912	23,533	(54,872)	(1,668)	(75,314)	(288,861)	68,730
Other Financing Sources (Uses):							
Transfers In	150,000	-	37,500	-	91,527	446,428	725,455
Transfers (Out)	(549,260)	-	-	-	-	(176,250)	(725,510)
Net Other Financing Sources (Uses)	(399,260)	-	37,500	-	91,527	270,178	(55)
Change in Fund Balances	66,652	23,533	(17,372)	(1,668)	16,213	(18,683)	68,675
Fund Balance - Beginning	2,929,200	213,529	(69,029)	1,216,115	214,291	3,859,175	8,363,281
Fund Balance - End of Year	$ 2,995,852	$ 237,062	$ (86,401)	$ 1,214,447	$ 230,504	$ 3,840,492	$ 8,431,956

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds (Page 20)	$	68,675
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of long-term loans receivable is reported as income in governmental funds, but the repayment reduces long-term assets in the statement of net assets.		
Repayment of long-term loans receivable		(11,320)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Current year capital outlays		329,851
Current year depreciation		(1,387,748)
Disposal of Capital Assets		(7,707)
An internal service fund is used by management to charge the costs of dental insurance to individual funds. The net expense of this internal service fund is reported with governmental activities.		(2,768)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Repayment of long-term debt principal		465,000
Change in accrued net pension liability, deferred outflows of resources - pensions, and deferred inflows of resources - pensions.		(111,634)
Governmental funds report bond premiums as income and bond discounts as expense. However, in the statement of activities these amounts are amortized over the remaining life of the refunded debt.		
Amortization of bond discount		(2,872)
Some expenses recorded in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrual of compensated absences		74,015
Accrual of OPEB obligation		(219,298)
Accrual of interest expense on long-term debt		(155,344)
Change in net position of governmental activities (Page 15)	$	(961,150)

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
STATEMENT OF NET POSITION - BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Recreation Fund	Wastewater Fund	Total	Internal Fund
ASSETS				
Current:				
Cash and Investments	$ 220	$ 2,651,438	$ 2,651,658	$ 40,712
Receivables:				
Due from other Governments	-	26,910	26,910	-
Sewer Fees	-	155,932	155,932	-
Other	126,985	-	126,985	-
Advances to Successor Agency	-	1,600,000	1,600,000	-
Total Current Assets	127,205	4,434,280	4,561,485	40,712
Capital Assets (Note 4):				
Land and construction in progress	-	429,416	429,416	-
Other capital assets, net of depreciation	3,500	12,444,603	12,448,103	-
Total capital assets	3,500	12,874,019	12,877,519	-
Total Assets	130,705	17,308,299	17,439,004	40,712
Deferred Outflows of Resouces:				
Deferred Pensions	122,140	289,609	411,749	-
Total Deferred Outflows of Resources	122,140	289,609	411,749	-
Total Assets and Deferred Outflows of Resources	252,845	17,597,908	17,850,753	40,712
LIABILITIES				
Current Liabilities:				
Accounts Payable	14,799	108,461	123,260	2,905
Accrued Liabilities	33,623	20,493	54,116	-
Compensated Absences	41,302	78,630	119,932	-
Unearned Revenues	173,537	-	173,537	-
Total Current Liabilities	263,261	207,584	470,845	2,905
Noncurrent Liabilities:				
Net OPEB Obligation	310,950	343,260	654,210	-
Net Pension Liability	779,543	1,743,411	2,522,954	-
Total Noncurrent Liabilities	1,090,493	2,086,671	3,177,164	-
Total Liabilities	1,353,754	2,294,255	3,648,009	2,905
Deferred Inflows of Resources:				
Deferred Pensions	(16,610)	(164,514)	(181,124)	-
Total Liabilities and Deferred Inflows of Resources	1,337,144	2,129,741	3,466,885	2,905
NET POSITION				
Net Investment in Capital Assets	3,500	12,874,019	12,877,519	-
Restricted - Capital Improvements	-	2,150,421	2,150,421	-
Unrestricted	(1,087,799)	443,727	(644,072)	37,807
Total Net Position	$ (1,084,299)	$ 15,468,167	$ 14,383,868	$ 37,807

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Recreation Fund	Wastewater Fund	Total	Internal Fund
Operating Revenues:				
Fees and Services	$ 981,434	$ 2,055,620	$ 3,037,054	$ 64,280
Total Operating Revenues	981,434	2,055,620	3,037,054	64,280
Operating Expenses:				
Salaries	595,529	529,974	1,125,503	-
Taxes and Benefits	261,204	495,710	756,914	-
Maintenance and Operations	91,387	722,065	813,452	63
Advertising	7,778	-	7,778	-
Professional and Contractual Services	142,355	74,629	216,984	-
Utilities and Communications	12,878	334,838	347,716	-
Insurance and Bonds	12,910	53,776	66,686	67,154
Depreciation	1,000	776,802	777,802	-
Total Operating Expenses	1,125,041	2,987,794	4,112,835	67,217
Income (Loss) from Operations	(143,607)	(932,174)	(1,075,781)	(2,937)
Nonoperating Revenues (Expenses):				
Interest Income	-	8,604	8,604	169
Connection Fees	-	28,989	28,989	-
Total Nonoperating Revenues	-	37,593	37,593	169
Net Income (Loss) before Transfers	(143,607)	(894,581)	(1,038,188)	(2,768)
Transfers In	93,492	203,600	297,092	-
Transfers (Out)	(30,223)	(266,814)	(297,037)	-
Change in Net Position	(80,338)	(957,795)	(1,038,133)	(2,768)
Net Position - Beginning	(1,003,961)	16,425,962	15,422,001	40,575
Net Position - End of Year	$ (1,084,299)	$ 15,468,167	$ 14,383,868	$ 37,807

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Recreation Fund	Wastewater Fund	Total	Internal Fund
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 996,619	$ 2,298,786	$ 3,295,405	$ 64,280
Cash Payments for Good and Services	(539,672)	(1,706,278)	(2,245,950)	(70,121)
Cash Payments to Employees	(520,470)	(400,182)	(920,652)	-
Net Cash Provided by (Used for) Operating Activities	(63,523)	192,326	128,803	(5,841)
Cash Flows from Noncapital Financing Activities:				
Transfers In	93,492	203,600	297,092	-
Transfers Out	(30,223)	(266,814)	(297,037)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	63,269	(63,214)	55	-
Cash Flows from Capital and Related Financing Activities				
Receipts of Connection and Standby Fees	-	28,989	28,989	-
Purchase of Vehicles and Equipment	-	(101,940)	(101,940)	-
Construction of Improvements	-	(17,500)	(17,500)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	(90,451)	(90,451)	-
Cash Flows from Investing Activities:				
Interest Received	-	8,604	8,604	169
Net Cash Provided by Investing Activities	-	8,604	8,604	169
Net Increase (Decrease) in Cash	(254)	47,265	47,011	(5,672)
Cash and Investments, Beginning	474	2,604,173	2,604,647	47,651
Cash and Investments, End of Year	$ 220	$ 2,651,438	$ 2,651,658	$ 41,979

(Continued)

044

CITY OF SCOTTS VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Recreation Fund	Wastewater Fund	Total	Internal Fund
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating (Loss)	$ (143,607)	$ (932,174)	$ (1,075,781)	$ (2,937)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	1,000	776,802	777,802	-
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,542)	243,166	240,624	-
(Increase) Decrease in Prepaid Expenses	2,813	-	2,813	-
(Increase) Decrease in Deferred Outflows of Resources	(64,397)	(174,735)	(239,132)	-
Increase (Decrease) in Accounts Payable	(13,973)	(27,948)	(41,921)	(2,904)
Increase (Decrease) in Acc Liabilities/Comp Absences	9,028	10,569	19,597	-
Increase (Decrease) in Net OPEB Obligation	45,988	64,842	110,830	-
Increase (Decrease) in Unearned Revenues	17,727	-	17,727	-
Increase (Decrease) in Net Pension Liability	266,027	721,833	987,860	-
Increase (Decrease) in Deferred Inflows of Resources	(181,587)	(492,717)	(674,304)	-
Net Cash Provided by (Used for) Operating Activities	$ (63,523)	$ 192,326	$ 128,803	$ (5,841)

(Concluded)

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Investments Held for Others, restricted	$ 1,715,889	$ 1,556,430
Cash and Investments Held in accordance with Bond Indentures, restricted	767,756	478,745
Depreciable Capital Assets, Net	13,881,113	-
Total Assets	$ 16,364,758	$ 2,035,175
LIABILITIES		
Accounts Payable	$ 2,843	$ -
Deposits	-	1,216,807
Accrued Interest Payable	296,528	-
Advances From Other Funds	-	339,623
Unearned Revenues	44,127	-
Bond Reserve Payable	-	478,745
Long-term Debt: (Note 5)		
Due in one year	365,000	-
Due in more than one year	19,806,056	-
Total Liabilities	20,514,554	$ 2,035,175
NET POSITION		
Held in Trust for Other Governments	$ (4,149,796)	

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The accompanying notes to the financial statements are an integral part of this financial statement.

CITY OF SCOTTS VALLEY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016

	Successor Agency Private Purpose Trust Fund
ADDITIONS	
Redevelopment Property Tax Trust Fund	$ 2,493,156
Bond Premium	2,592
Investment Earnings	465
Total Additions	2,496,213
DEDUCTIONS	
Administrative Expenses	$ 74,030
Enforceable Obligations of Former Redevelopment Agency	282,859
Depreciation	189,683
Interest Expense	817,499
Total Deductions	1,364,071
Change in Current Net Position	1,132,142
Net Position - Beginning	(5,281,938)
Net Position - End of Year	$ (4,149,796)

047

The accompanying notes to the financial statements are an integral part of this financial statement.

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the City as follows:

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Scotts Valley (City) operates under the Council-Manager form of government and provides the following services: public safety (police), parks and recreation, public works, streets, planning, and general administrative services. The City also provides environmental health services through its wastewater fund and provides recreation programs through its recreation fund, which are intended to be funded from user fees.

For financial reporting purposes, the financial statements of the City of Scotts Valley include all organizations that the City, as the primary government, is financially accountable for. This financial accountability is defined as the authority of the primary government to appoint a voting majority of an organization's governing body, where the primary government is able to impose its will on that organization; or where there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As a result, the Scotts Valley Public Financing Authority is considered a component unit of the financial reporting entity and has been included in the financial statements by blending its financial data with financial data of the City as though this organization is part of the City. The blended component unit, which is discussed below, is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The Scotts Valley Public Financing Authority (the "Authority") was established in April 1989 by the City to facilitate financing for the City. Although the Authority is a separate legal entity from the City, it is reported as if it were part of the primary government because the members of the City Council also serve as the Authority's governing board and because the Authority's sole purpose is to be a financing entity for the City. The Authority does not issue separate financial statements.

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government–wide Financial Statements

The Government-wide Financial Statements include a Statement a Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-type Activities for the City accompanied by a total column. Fiduciary activities of the city are not included in these statements.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. There are revenues specifically identifiable and clearly associated with a particular program or function. These types of transactions are reported as program revenues for the City and are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include (1) a Balance Sheet, and (2) a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide financial statements.

The City of Scotts Valley reports the following major governmental funds:

> The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
>
> The Successor Housing Agency Fund is used to account for the affordable housing funds of the former Scotts Valley Redevelopment Agency.
>
> The General Facilities Fund is used to account for the impact fees imposed on new development to mitigate impacts on the City's general facilities (i.e. City Hall, Corporate Yard, etc.).
>
> The Traffic Mitigation Fund is used to account for the impact fees imposed on new development to mitigate impacts on the City's streets.
>
> The General Capital Improvements Fund is used to account for the City's major capital projects.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenue, Expenditures and Changes in Fund Balance present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenue is recorded when received in cash, except that revenue subject to accrual (generally 90 days after fiscal year-end) is recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Funds Financial Statements

Proprietary Funds Financial Statements include: a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing an internal service fund is also presented in these statements. However, internal service balances and activities have been combined with the governmental and business-type activities in the Government-wide financial statements.

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds Financial Statements

Fiduciary Funds Financial Statements include a Statement of Net Position. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are accounted for on the accrual basis of accounting.

Additionally, the City reports the following funds:

The City maintains one private purpose trust fund to account for activities of the Successor Agency to the former Redevelopment Agency.

Four Agency Funds account for: 1) receipt of special taxes and assessments used to pay municipal and interest on four Assessment District Bonds with no direct City liability, and 2) receipt and disbursement of monies held in General Trust.

Reconciliation of the Funds financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach of the GASB Statement No. 34 reporting model.

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Included in capital assets are land, buildings, improvements, equipment, and infrastructure. City policy has set the capitalization threshold for reporting capital assets at $10,000. Donated assets are recorded at estimated fair value at the date of donation.

The City depreciates capital assets over their estimated useful lives. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of the capital asset. Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Equipment – 5 to 10 years
Furniture and Fixtures – 5 to 10 years
Software – 5 to 7 years
Buildings and Improvements – 40 years
Infrastructure – 20 to 75 years

Major capital outlay for capital assets and improvements are capitalized when projects are constructed and completed.

Capital assets may be acquired using federal and state grants and contributions or grants from other governments and accounted for as revenue at the time they are contributed.

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting Process

A. The City Manager submits a proposed budget to the City Council
B. Public meetings are conducted to obtain feedback
C. The City Council considers and adopts the operating and capital improvement budgets

Once the budgets are adopted, legal budgetary control is established by requiring the following transactions be approved by the City Council:

A. Transfers between funds
B. Any budget amendment that would increase a fund's total appropriations
C. Any budget amendment that would increase a fund's total appropriation of operating expenditures

Management may approve transfers of all other line-item appropriations within a fund without the approval of the City Council.

Supplemental budgetary appropriations were required during the fiscal year.

Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations at fiscal year-end may be reappropriated in the following fiscal year.

Formal budgetary control is integrated into the City's general ledger as a management control device during the fiscal year.

All of the City's governmental type funds have legally adopted budgets, prepared on a basis consistent with the accounting for these funds.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair market value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair market value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to funds on a quarterly basis based on the cash balance in each fund.

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Proprietary Funds' "deposits" in the City-wide cash management pool are, in substance, demand deposits and are considered cash equivalents for purposes of the statement of cash flows.

Unbilled Receivables

The City bills wastewater service fees every two months. Whenever the fiscal year end does not coincide with a billing month, the City accrues unbilled wastewater service fees.

Encumbrances

Encumbrance accounting is employed by the City in all of its governmental funds. In doing so, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation.

Compensated Absences

A long-term liability of accumulated vacation and sick leave has been recorded in the Government-wide Financial Statements. In the Fund Financial Statements, this liability is only recorded in the Enterprise Funds.

Pensions

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

Property Tax Levy, Collection, and Maximum Rates

The State of California Constitution Article XIII A (Proposition 13) provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of fair value as defined by Article XIII A and may be increased by no more than two percent per year, cumulatively, unless the property is sold, improved, or transferred. The State Legislature determines the method of distribution of receipts from a one-percent tax levy among the counties, cities, school districts, and other districts.

Santa Cruz County assesses properties, and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation Dates	January 1	January 1
Lien/Levy Dates	July 1	July 1
Due Dates	50% November 1 50% February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (concluded)

Property taxes are recognized in the fiscal year for which taxes have been levied and collected within sixty days of the fiscal year end. Beginning in fiscal year 1993-94 under the Alternative Method of Tax Assessment and Collections (Teeter Plan), Santa Cruz County began providing the City 100% of the property tax whether or not the property owners actually paid their tax bills.

Transactions Between Funds

In the Fund Financial Statements, the City records numerous transactions between funds, including expenditures and transfers of resources, to provide services and to construct assets. All interfund transactions, except loans or advances, interfund services provided and used, and reimbursements, are treated as transfers. Interfund services provided and used include internal service fund charges for services to City departments. In those interfund transactions where one fund pays expenditures or expenses of another fund, a transfer of funds is treated as a credit against the fund that originally paid for the expenditure or expense, and is charged to expenditures or expenses in the appropriate fund.

Governmental Fund Balances

The City has adopted GASB Statement 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes by majority vote at a duly noticed Council meeting.

Unassigned – all amounts not included in other spendable classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount. If expenditures exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

2. CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees under the provisions of bond indentures. Cash and investments are summarized below as of June 30, 2016.

Pooled Deposits		$1,118,897
Pooled Investments:	California Local Agency Investment Fund (LAIF)	8,499,914
	Money Market	2,969,485
Subtotal		12,588,296
Investments with Fiscal Agents and Trustees		1,345,504
Total Cash and Investments		$13,933,800

2. CASH AND INVESTMENTS (continued)

The City's cash and investments are reported in the financial statements as follows:

	Government-wide Statement of Net Position		Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Statement of Net Position	Total
Cash & Investments	$ 6,664,319	$ 2,651,658	$ 3,272,319	$ 12,588,296
Restricted Cash & Investments	99,003	-	1,246,501	1,345,504
Total	$ 6,763,322	$ 2,651,658	$ 4,518,820	$13,933,800

Pooled Deposits

At June 30, 2016, the difference between the carrying amount of the City's book balance of $1,116,978 and the corresponding bank balance of $1,030,098 was due to outstanding checks and deposits in transit. Of the bank balance, $250,000 was insured by federal depository insurance and $866,978 was collateralized 110% in accordance with the California Government Code with securities held by the pledging financial institution in the City's name.

Investments

Under provisions of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may make deposits into and invest in the following:

- Securities of the U.S. Government, or its agencies
- Negotiable Certificates of Deposit
- Passbook Savings Account Demand Deposits
- Local Agency Investment Fund(State Pool)Demand Deposits
- Bankers Acceptances
- Commercial Paper
- Corporate Medium Term Notes
- Money Market Funds

At no time during the fiscal year did the City borrow funds through the use of reverse-repurchase agreements. Reverse-repurchase agreement investments are not allowed under the City's investment policy.

External Investment Pool

The City invests in the California State Treasurer's Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. There is a five member Local Investment Advisory Board is chaired by the State Treasurer. As of June 30, 2016, LAIF had approximately $22.7 billion in investments.

2. CASH AND INVESTMENTS (concluded)

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. The City's investments with LAIF at June 30, 2016, included a portion of the pooled funds invested in structured notes and asset-backed securities. These investments are described as follows.

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and / or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

Investment Risks

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2016, investment maturities (other than investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements) were as follows:

	Less Than 1 Year	1 Year	1 – 2 Years	2 – 3 Years
LAIF	$ 8,499,914	$ -	$ -	$ -
Money Market Funds (not rated)	2,969,485	-	-	-
Totals	$11,469,399	$ -	$ -	$ -

3. LONG-TERM LOANS RECEIVABLE

Governmental Activities:

Advances to Redevelopment Successor Agency:

Advances to Redevelopment Successor Agency consist of loans from the City's General Fund ($3,332,365) and the former Redevelopment Agency Affordable Housing Fund, now the Successor Housing Agency ($1,753,691). The advance from the General Fund was for start-up expenses, initial formation of the Redevelopment Agency, and improvement projects. The advance from the former Affordable Housing Fund was for the payment to the State for the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF). The advance will be repaid with tax increment revenues allocated to the Successor Agency Private Purpose Trust Fund.	$5,086,056

3. LONG-TERM LOANS RECEIVABLE (concluded)

Long-term Loans Receivable:

Due from a California Limited Partnership with simple interest at 3%, all due and payable by November 22, 2026. Funds were originally loaned by the former Scotts Valley Redevelopment Agency Affordable Housing Fund to facilitate the construction of 46 affordable housing units. This receivable is now recorded in the Successor Housing Agency Fund. The loan is secured by a deed of trust on the housing units.	$1,288,521
Due from nine parties together with contingent interest calculated as an amount equal to 10% of appreciation of the residential properties purchased by the various parties, all due and payable: upon sale or transfer, upon default, upon cash-out refinancing of the superior "first" or "second" loan, or upon the date the "first" note becomes due and payable. Funds were originally loaned by the former Scotts Valley Redevelopment Agency Affordable Housing Fund to facilitate the purchase of affordable housing through the Agency's "silent second" loan program. This receivable is now recorded in the Successor Housing Agency Fund. The loans are secured by deeds of trust on the respective properties.	383,295
Due from a California Limited Partnership with interest at the "applicable federal rate" as of the date of the Note, all due and payable by September 15, 2054. Funds were loaned by the City of Scotts Valley under the HOME Investment Partnerships Program to facilitate the construction of residential units that are occupied by and affordable to Very-Low Income Persons for the term of the loan. The loan is administered by the City as set forth by federal regulations dated April 30, 1999 between the City and the State of California, by and through the Department of Housing and Community Development. The loan is secured by a deed of trust on the housing units.	400,000
Due from a California Non-profit Public Benefit Corporation with simple interest at the Local Agency Investment Fund (LAIF) rate, due and payable at maturity. Loan matures and is fully due and payable five years from the date the third unit on the Property is issued a certificate of occupancy or no later than 10 years from the date of the Promissory Note. Funds were originally loaned by the former Scotts Valley Redevelopment Agency Affordable Housing Fund to facilitate the construction of three Assisted Units, in accordance with Agency requirements related to Low and Moderate Income Housing Trust Funds. This receivable is now recorded in the Successor Housing Agency Fund. The loan is secured by a deed of trust on the real property.	300,000
Due from a California Limited Liability Company with simple interest at 3.25% per annum, due and payable under a repayment agreement terms. Funds were loaned with the Community Development Block Grant funds. The loan is secured by a deed of trust on commercial property.	550,000
Total Long-term Loans Receivable	$2,921,816

Business-Type Activities:

Advance to Redevelopment Successor Agency is from the City's Wastewater Fund to the former Redevelopment Agency for the purchase of property. The advance will be repaid with tax increment revenues allocated to the Successor Agency Private Purpose Trust Fund.	$1,600,000

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Capital assets not being depreciated:				
Land	$7,011,920	$ -	$ -	$7,011,920
Construction in progress	7,448	58,429	-	65,877
Total capital assets not being depreciated	7,019,368	58,429	-	7,077,797
Capital assets being depreciated:				
Buildings and Improvements	5,530,195	44,390	-	5,574,585
Machinery and equipment	3,557,144	172,207	174,824	3,554,527
Infrastructure	39,477,742	54,825	-	39,532,567
Total capital assets being depreciated	48,565,081	271,422	174,824	48,661,679
Less accumulated depreciation for:				
Buildings and Improvements	2,797,765	149,261	-	2,947,026
Machinery and equipment	2,698,657	225,761	167,117	2,757,301
Infrastructure	18,335,773	1,012,726	-	19,348,499
Total accumulated depreciation	23,832,195	1,387,748	167,117	25,052,826
Total capital assets being depreciated, net	24,732,886	(1,116,326)	7,707	23,608,853
Governmental capital assets, net	$31,752,254	$(1,057,897)	$ 7,707	$30,686,650
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 429,416	$ -	$ -	$ 429,416
Construction in progress	-	-	-	-
Total capital assets not being depreciated	429,416	-	-	429,416
Capital assets being depreciated:				
Buildings and Improvements	5,287,273	-	-	5,287,273
Machinery and equipment	6,368,988	101,940	-	6,470,928
Infrastructure	23,094,553	17,500	-	23,112,053
Outfall agreement	178,000	--	-	178,000
Total capital assets being depreciated	34,928,814	119,440	-	35,048,254
Less accumulated depreciation for:				
Buildings and Improvements	3,513,910	129,630	-	3,643,540
Machinery and equipment	5,292,101	118,626	-	5,410,727
Infrastructure	12,909,529	526,579	-	13,436,108
Outfall agreement	106,809	2,967	-	109,776
Total accumulated depreciation	21,822,349	777,802	-	22,600,151
Total capital assets being depreciated, net	13,106,465	(658,362)	-	12,448,103
Business-type capital assets, net	$13,535,881	$ (658,362)	$ -	$12,877,519
Total Capital Assets	$45,288,135	$(1,716,259)	$ 7,707	$43,564,169

4. CAPITAL ASSETS (concluded)

Depreciation expense was charged to functions and programs of the City as follows:

Governmental Activities:	
General government	$ 49,087
Public safety	196,221
Planning & building	6,456
Public works	1,135,984
Total depreciation expense – government activities	$ 1,387,748
Business-Type Activities:	
Wastewater	$ 776,802
Recreation	1,000
Total depreciation expense – business-type activities	$ 777,802

5. LONG-TERM DEBT AND OBLIGATIONS

The following is a summary of long-term debt and obligation transactions for the fiscal year ended June 30, 2016:

	GOVERNMENTAL ACTIVITIES				
	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Certificates of Participation	$ 5,730,588	$ -	$ 140,000	$ 5,590,588	$140,000
Unamortized Discount	(81,145)	2,872	-	(78,273)	
Total Certificates	5,649,443	2,872	140,000	5,512,315	
Pension Obligation Bonds	3,655,000	-	320,000	3,335,000	325,000
Installment Note	110,000	-	5,000	105,000	5,000
Accrued Compensated Absences	719,220	434,930	508,945	645,205	419,838
Net OPEB Obligation	2,016,058	434,750	215,452	2,235,356	-
Net Pension Liability	7,553,678	1,481,789	-	9,035,467	-
Totals	$19,703,399	$2,354,341	$1,189,397	$20,868,343	$ 889,838

	BUSINESS-TYPE ACTIVITIES				
	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Accrued Compensated Absences	$ 115,326	$ 91,465	$ 86,859	$ 119,932	$ 36,142
Net OPEB Obligation	543,380	130,730	19,900	654,210	-
Net Pension Liability	1,535,094	987,860	-	2,522,954	-
Totals	$ 2,193,800	$1,210,055	$106,759	$3,297,096	$ 36,142

Debt service payments are generally provided from the following sources:

Certificates of Participation - General revenues recorded in the General Fund.

Pension Obligation Bonds - General revenues recorded in the General Fund.

Note Payable - General revenues recorded in the General Fund.

Accrued Compensated Absences - General revenues recorded in the General Fund and operating revenues recorded in the Proprietary Funds.

Net OPEB Obligation - General revenues recorded in the General Fund and operating revenues recorded in the Proprietary Funds.

5. LONG-TERM DEBT AND OBLIGATIONS (continued)

Certificates of Participation:

The City entered into lease and sub-lease agreements with the Scotts Valley Public Financing Authority, a Joint Powers Authority formed by the City of Scotts Valley to lease and lease-back certain public assets. The lease revenues are used as security for the issuance of Certificates of Participation (COP). The annual lease payments are equal to the total debt service payments on the Certificates. The leases have a purchase option for the Scotts Valley Public Financing Authority to acquire the public assets that are subordinated to a bargain purchase option in the City's sub-lease agreement. Since the City's financial activities of the Scotts Valley Public Financing Authority are included in the financial statements, economic substance is emphasized over legal form and the above leasing transactions are reported as City general obligation debts and recorded in the Government-wide Statement of Net Position under Governmental Activities.

The following Certificates of Participation were outstanding at June 30, 2016:

Original issue - $4,940,588, 1997-1 Refunding Certificates of Participation	$ 1,250,588
Original issue - $4,605,000, 2013 Refunding Certificates of Participation	4,340,000
Less Unamortized Discount	(78,273)
Total Certificates of Participation	$5,512,315

In 1997, the Scotts Valley Public Financing Authority issued $4,940,588 of refunding COPs. The proceeds were used to refund a portion of the current interest bonds from the 1992 COP. The 1997 COP consisted of $3,690,000 of current interest certificates ranging from 3.70% to 5.25% per annum, and $1,250,588 of capital appreciation certificates ranging from 5.60% to 5.70% per annum. The current interest certificates were refunded by the 2006 Refunding COPs. Only the capital appreciation certificates remain outstanding.

	1997-1 Refunding Certificates of Participation		
Fiscal Year Ending	Principal	Interest	Total
2017	$ -	$ -	$ -
2018	-	-	-
2019	-	-	-
2020	145,354	344,646	490,000
2021	136,140	348,861	485,001
2022-2026	749,664	2,440,335	3,189,999
2027-2031	219,430	900,570	1,120,000
Totals	$1,250,588	$4,034,412	$5,285,000

5. LONG-TERM DEBT AND OBLIGATIONS (continued)

In 2013, the Scotts Valley Public Financing Authority issued $4,605,000 of 2013 Refunding Certificates of Participation. The proceeds were used to refund the remaining 2003 Public Improvements Project and the 2006 Refunding Certificates of Participation current interest certificates. The interest rates for this COP range from 2.0% to 5.4%.

	2013 Refunding Certificates of Participation		
Fiscal Year Ending	Principal	Interest	Total
2017	$ 140,000	$ 213,095	$ 353,095
2018	145,000	209,883	354,883
2018	145,000	206,257	351,257
2020	-	204,445	204,445
2021	-	204,445	204,445
2022-2026	-	1,022,225	1,022,225
2027-2031	650,000	962,302	1,612,302
2032-2036	1,000,000	740,510	1,740,510
2037-2041	1,300,000	439,623	1,739,623
2042-2043	960,000	79,380	1,039,380
Unamortized Discount	(78,272)	-	(78,272)
Totals	$4,261,728	$4,282,165	$8,543,893

Pension Obligation Bonds:

On June 21, 2012, the City of Scotts Valley Public Financing Authority issued $4,460,000 par value bonds. The proceeds of the Bonds were used to refund the City's outstanding "side fund" obligations to the California Public Employees' Retirement System ("PERS") pursuant to a contract between the City and the Board of Administration of PERS. Annual principal payments range from $180,000 to $430,000 plus interest from .75% to 4.4% per annum, through 2024.

	2012 Pension Obligation Bond		
Fiscal Year Ending	Principal	Interest	Total
2017	$ 325,000	$ 118,305	$ 443,305
2018	335,000	110,286	445,286
2019	340,000	100,325	440,325
2020	355,000	88,757	443,757
2021	365,000	75,245	440,245
2022-2025	1,615,000	142,188	1,757,188
Totals	$3,335,000	$ 635,106	$3,970,106

5. LONG-TERM DEBT AND OBLIGATIONS (concluded)

Installment Note:

In 1997, the City agreed to a $165,000 installment note payable to the Scotts Valley Water District for the City's share of bonds issued by the Water District for the construction of recycled water pipe lines. The District and the City shared the proceeds of the bond issue in order to save on issuance costs. The proceeds were used for recycled water pipes to City parks. Annual principal amounts vary from $ -0- to $15,000 plus interest at 6% per annum, through 2028.

Fiscal Year Ending	Installment Note Principal	Interest	Total
2017	$ 5,000	$ 6,150	$ 11,150
2018	5,000	5,850	10,850
2019	10,000	5,400	15,400
2020	10,000	4,800	14,800
2021	5,000	4,350	9,350
2022-2026	45,000	14,850	59,850
2027-2028	25,000	1,650	26,650
Totals	$105,000	$ 43,050	$148,050

Successor Agency Private Purpose Trust Fund Debt

Certificates of Participation:

In 2003, the Scotts Valley Public Financing Authority issued $1,000,000 of 2003 Capital Improvement Project Certificates of Participation. The proceeds were used to provide partial funding for the purchase of an existing building to be used as a City community center. The interest rates for this COP range from 4.5% to 4.7% per annum. $1,000,000

Tax Allocation Bonds:

In 2006, the former Redevelopment Agency issued $6,810,000 Tax Allocation Refunding Bonds. The proceeds were used to refund the 1999 tax allocation bonds and to fully pay off the outstanding balance of the installment note to the City of Santa Cruz. Annual repayment installments range from $290,000 to $385,000, plus interest at 3.4% to 5.0% per annum, through 2030. 3,725,000

Lease Revenue Bonds:

On November 19, 2009, the former Redevelopment Agency of the City of Scotts Valley issued $5,260,000 par value of Series A lease revenue bonds and $3,500,000 par value of Series B (Taxable) lease revenue bonds for the purchase of property and remodeling of an existing building to be the new Scotts Valley Branch Library. Annual principal payments range from $0 to $725,000 plus interest from 5.5% to 7.7% per annum, through 2039. 8,760,000

Advances from City of Scotts Valley:

Advance from the City's General Fund ($3,332,365), former Redevelopment Agency Affordable Housing Fund ($1,753,691), and Wastewater Enterprise Fund ($1,600,000). The advances will be repaid with tax increment revenues allocated to the Successor Agency Private Trust Fund (see Note 14 to the Financial Statements). 6,686,056

Total Successor Agency Private Purpose Trust Fund Debt $20,171,056

6. INTERFUND TRANSACTIONS

Current Interfund Balances: The following is a summary of the current amounts due from and due to other funds at June 30, 2016:

	Receivable Fund	Amount	Payable Fund	Amount
Major Funds:	General Fund	$ 1,171		$ -
Non Major Funds:		-	Homeland Security	1,171
Totals		$ 1,171		$ 1,171

The above transfers resulted from the normal course of the City's operations.

Long-term Interfund Advances: The following is a summary of the advances made that were not expected to be repaid in one year or less:

Receivable Fund	Amount	Payable Fund	Amount
General	$ 139,532	General Facilities	$139,532

The advance from the General Fund to the General Facilities Fund will be repaid with future impact fee revenues. The funds were loaned for the construction of the current City Hall.

Interfund Transfers: In the governmental fund financial statements, total transfers in and out were as follows:

	Transfers In:				
Transfers Out:	General Fund	Gen Facility and Capital Improvements	Enterprise Funds	Non-Major Fund	**Total**
General Fund	$ -	$ 91,527	$93,492	$364,241	$ 549,260
Enterprise Fund	-	12,500	-	80,937	93,437
Non Major Fund	150,000	25,000	-	1,250	176,250
Total	$ 150,000	$129,027	$ 93,492	$446,428	$ 818,947

The General Fund transferred out a total of $549,260 as follows: $93,492 to the Recreation Fund for operations, $364,241 to the Pension Obligation Fund for its share of the pension obligation debt service, and $91,527 to the General Capital Improvements for general plan maintenance fees collected during the fiscal year to be used in the future for the General Plan update.

Enterprise Funds transferred out a total of $93,437 as follows: $80,937 to the Pension Obligation Fund for its share of the pension obligation debt service and $12,500 to the General Facility Fund for the purchase of capital equipment.

Non-Major Funds transferred out a total of $176,250 as follows: $150,000 from the Gas Tax Fund to the General Fund for street maintenance expenditures. A transfer from the Gas Tax Fund into the General Facility Fund for $25,000 to purchase capital equipment. Transfers within Non-Major Funds totaled $1,250 which consisted of $625 from the Senior Center and $625 from the Community Center to the Pension Obligation Fund for their share of the pension obligation debt service.

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

The City administers a single-employer defined benefit post employment healthcare plan (Plan) which provides postemployment benefits to eligible employees in the form of partial reimbursement for postretirement health insurance premiums. Eligibility requirements include a minimum of ten years employment with the City and minimum retirement ages of 50 years for safety employees and 55 years for non-safety employees. For eligible employees, the City will pay 33-75% of the retired employee's health insurance premiums, the exact amount determined by years of service, employee group, and age. In addition, there is a cap on what the City will contribute that is indexed to the cost of CalPERS postretirement medical insurance premiums. The Plan does not issue separate financial statements.

The obligation of the City to provide these benefits is determined by agreements with the various employee bargaining groups.

The City's contributions are financed on a pay-as-you-go basis. The City paid $235,352 in post employment benefits for the 29 retired employees who were eligible for benefits during the fiscal year ended June 30, 2016.

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

Annual Required Contribution	$ 535,623
Interest on the net OPEB obligation	115,175
Adjustment to Annual Required Contribution	(85,315)
Annual OPEB cost	565,483
Payments made	(235,352)
Increase in net OPEB obligation	330,131
Net OPEB obligation – beginning of year	2,559,435
Net OPEB obligation – end of year	$2,889,566

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$531,416	46.1%	$1,931,711
2014	$536,187	42.6%	$2,239,504
2015	$541,317	40.9%	$2,559,435
2016	$565,483	41.6%	$2,889,566

As of February 1, 2016, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability (AAL) for benefits was $8,445,817, and the actuarial value of the Plan assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $5,556,251. The covered payroll (annual payroll of active employees covered by the Plan) was $4,506,698 and the ratio of UAAL to the covered payroll was 123%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the

7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (concluded)

employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal (EAN) cost method was used in the February 1, 2016, actuarial valuation report. Under the EAN cost method, the Plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For retirees, the AAL is the present value of all projected benefits. The Unfunded AAL is being amortized as a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at February 1, 2016, of 30 years.

GASB 45 requires the interest rate to represent the underlying expected return for the source of funds used to pay benefits. The actuarial methods and assumptions included a 4.5% interest rate, based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. Annual inflation and Aggregate Payroll are assumed to increase 2.75% per annum. Both post-retirement benefit increases and the healthcare cost trend rate are assumed to increase 4% per annum.

8. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

A. General Information about the Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

8. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (continued)

The Plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	15.701%	6.25%

	Safety	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	11.50%
Required employer contribution rates	26.881%	11.50%

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions - employer	$ 560,881
Contributions - employee (paid by employer)	$ 324,953

B. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the City reported net pension liabilities for its proportionate share of the net pension liability of the Plan in the amount of $9,035,467.

The City's net pension liability of its Plan is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures.

8. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (continued)

For the year ended June 30, 2016, the City recognized pension expense of $1,277,099. At June 30, 2016, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Recources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 33,398
Changes of assumptions	-	516,691
Net differences between projected and actual earnings on plan investments	-	260,520
Change in employer's proportion	528,790	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	423,583
Pension contributions subsequent to measurement date	1,091,041	-
TOTAL	$ 1,619,831	$ 1,234,192

Recognition of Deferred Outflows and Inflows of Resources in future pension expense as follows:

Fiscal Year Ending June 30	
2017	$ (332,717)
2018	(344,857)
2019	(353,839)
2020	326,012

C. Actuarial Assumptions – The total pension liability for this plan's actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

D. Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is notnecessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

8. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (continued)

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return net of administrative expenses would be 7.50 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year and will continue to check the materiality of the difference in calculation until such time as they change their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each asset class. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses. The asset allocation has an expected long-term blended rate of return of 7.5 percent.

Asset Class	New Strategic Allocation
Global Equity	51.00%
Global Fixed Income	20.00%
Inflation Sensitive Assets	6.00%
Private Equity	10.00%
Real Assets	12.00%
Other	0.00%
Liquid Assets	1.00%
	100.00%

8. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (concluded)

E. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the unfunded net pension liability calculated using the discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate -1% 6.50%	Current Discount Rate 7.50%	Discount Rate +1% 8.50%
Net Pension Liability	$ 8,601,144	$ 9,035,467	$ 2,573,503

9. FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2016, fund balances are designated as the follows:

	General Fund	Successor Housing Agency	General Facilities	Traffic Impact Mitigation	General Capital Imprvmts	Non-Major Govermnt'l Funds	TOTAL
Restricted:							
Debt Service	$ 99,003	$ -	$ -	$ -	$ -	$ -	$ 99,003
Low Mod Housing	-	237,062	-	-	-	-	237,062
Impact Fees	-	-	-	1,214,447	-	20,173	1,234,620
Public Works	-	-	-	-	230,504	481,598	712,102
Public Safety	-	-	-	-	-	389,632	389,632
Parks & Recreation	-	-	-	-	-	1,165,562	1,165,562
Community Dev	-	-	-	-	-	550,549	550,549
Planning	-	-	-	-	-	174,631	174,631
Assigned:							
Debt Service	-	-	-	-	-	945,463	945,463
Public Works	-	-	-	-	-	53,811	53,811
Parks & Recreation	-	-	-	-	-	59,310	59,310
Unassigned	2,896,849	-	(86,401)	-	-	(237)	2,810,211
TOTAL	$ 2,995,852	$ 237,062	$ (86,401)	$ 1,214,447	$ 230,504	$ 3,840,492	$ 8,431,956

10. DEFICIT FUND BALANCES

At June 30, 2016, the following City funds had deficit fund balances:

Major Fund:
General Facility ($86,401)

Non Major Funds:
Homeland Security ($ 237)

The General Facility fund deficit will be eliminated by future impact fee revenues. The Homeland Security fund deficit will be eliminated by receipt of grant funds billed but not received until the following fiscal year.

11. SPECIAL ASSESSMENT DISTRICT BOND OBLIGATIONS

The City acts as an agent and is not liable for repayment of the special assessment and community facilities district debt. The City is collecting the applicable assessments and taxes from property owners, forwarding the collections to the paying agent for payment of principal and interest to the bondholders. The City is responsible for initiating foreclosure proceedings where required by bond covenants. The debt is not recorded in these financial statements. The following special assessment and community facilities district debt was outstanding as of June 30, 2016:

Original issue - $3,445,000, Community Facilities District, 97-1 Series A	$ 3,445,000
Original issue - $1,285,000, Community Facilities District, 97-1 Series B	425,000
Total Special Assessment District Bonds (No City Liability)	$ 3,870,000

12. COMMITMENTS AND CONTINGENCIES

Under an agreement with the City of Santa Cruz, the City is obligated to pay 4% of the actual new outfall facilities operation and maintenance costs in order to use the Santa Cruz sewer outfall facility.

The City has construction contract commitments in the amount of $40,874 at June 30,2016 for the following project:

Project	Commitment
Mt. Hermon Road and Scotts Valley Drive Improvements	$40,874

In December of 2003 the City entered into a Memorandum of Understanding (MOU) with the Land Trust of Santa Cruz County, a nonprofit organization. The Land Trust manages approximately 162 acres of open space in accordance with the Glenwood Open Space Management Plan approved by the City Council on June 4, 2004. The City placed $1,070,000 in an endowment trust fund managed by the Land Trust. All costs associated with the management of the open space are paid by investment earnings and principal of this endowment. If the Land Trust is unable to provide management services or if the agreement is terminated, any remaining amount in the endowment trust fund will be returned to the City.

13. RISK MANAGEMENT

The City participates in a public entity risk pool that operates as a common risk management and insurance program for 10 member cities. The City pays an annual premium to the pool for its general liability and workers' compensation coverage. Risk of loss is retained for general liability claims by each city up to $10,000 per occurrence. The agreement with the pool provides that it will be self-sustaining through member premiums and that excess coverage be carried for general liability claims between $1,000,000 and $30,000,000 and for workers' compensation claims in excess of $250,000 per insured event. The amount of unpaid claims was immaterial at fiscal year end.

The City established a Dental Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss for employee dental care. The Dental Insurance Fund finances employee and dependent claims up to a maximum of $1,100 per participant per calendar year entirely through self-insurance. The amount of unpaid claims was immaterial at fiscal year end.

The City continues to carry commercial insurance for all other insured risks of loss. The City paid no settlements in excess of insurance coverage in any of the past three fiscal years.

14. JOINT POWERS AUTHORITY

The City participates in a public entity risk pool under a joint power agreement (JPA): the Monterey Bay Area Self Insurance Authority (MBASIA). The relationship between the City and the JPA is such that the JPA is not a component of the City for financial reporting purposes.

The Monterey Bay Area Self Insurance Authority (MBASIA) provides workers' compensation and liability insurance for its members: various small cities in the Monterey Bay Area. The MBASIA is governed by a board of directors composed of representatives from each of the member cities. This board controls the operations of the MBASIA, including selection of management and approval of operating budgets independent of any influence by the member cities beyond their representation on the Board. Each member city pays a premium based on factors determined by the board. Financial statements may be obtained from MBASIA c/o Alliant Insurance Services, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

15. FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can read in their entirety at http://www.gasb.org.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 -
Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 81, Irrevocable Split-Interest Agreements -
Effective Date: The requirements of this Statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged.

GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 -
Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants -
Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans –
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 77, Tax Abatement Disclosures -
Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

15. FUTURE ACCOUNTING PRONOUNCEMENTS (concluded)

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments -
Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions -
Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans -
Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 -
Effective Date: The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget operates from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees, and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows the procedures below in establishing the budgetary data reflected in the basic financial statements:

- The City Manager submits a proposed budget to the City Council which includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain citizen comments.
- The City Council legally adopts the operating and capital improvement budgets through passage of a resolution.

Once the budget is adopted, legal budgetary control is established by requiring the following transactions to be approved by the City Council:

- Transfers between funds.
- Any budget amendment that would increase a fund's total appropriations.
- Any budget amendment that would increase a fund's total appropriation of operating expenditures.

Management may approve transfers of all other line item appropriations within a fund without the approval of the City Council.

Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations at fiscal year end are reappropriated in the following fiscal year.

Formal budgetary control is integrated into the City's general ledger as a management control device during the fiscal year.

On the following pages are the budget comparison schedules for the General Fund and each major fund that has a legally adopted annual budget. These schedules are presented with the budgetary basis amounts and reconciled to the Accounting Principles Generally Accepted in the United States of America (USGAAP) basis at the end. The basis adjustments are for the following:

- General Fund - compensated absences are budgeted on the cash basis whereas USGAAP uses the accrual basis.
- Successor Housing Agency – this Fund makes loans for individuals to purchase low and moderate income housing. Budgetary amounts include principal repayments as income and new loans as expenditures whereas USGAAP treats these as reductions and increases in notes receivable.
- General Facilities – no basis adjustments required.
- Traffic Impact Mitigation – no basis adjustments required.

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes	$ 7,468,000	$ 7,468,000	$ 8,149,703	$ 681,703
Franchise fees	881,000	881,000	972,951	91,951
Fines & forfeitures	35,600	35,600	35,411	(189)
Charges for services	572,825	572,825	781,012	208,187
Investment earnings	6,200	6,200	14,456	8,256
Other revenue	435,000	435,000	414,637	(20,363)
Total Revenue	9,398,625	9,398,625	10,368,170	969,545
Expenditures:				
Legislative	228,244	228,244	225,544	2,700
Legal	133,500	133,500	159,398	(25,898)
General government	1,067,226	1,067,226	1,068,119	(893)
Administration	331,383	331,383	468,301	(136,918)
Finance	416,593	416,593	388,951	27,642
Police	4,558,150	4,558,150	4,668,558	(110,408)
Animal control	111,199	111,199	111,172	27
Emergency services	71,933	71,933	76,438	(4,505)
Planning	566,500	566,500	554,433	12,067
Building	216,453	216,453	490,134	(273,681)
Engineering	398,808	398,808	615,499	(216,691)
Street maintenenace	364,175	364,175	410,944	(46,769)
Vehicle maintenance	127,262	127,262	135,280	(8,018)
Park maintenance	325,394	325,394	281,492	43,902
Building maintenance	213,998	213,998	247,995	(33,997)
Total Expenditures	9,130,818	9,130,818	9,902,258	(771,440)
Excess (Deficiency) of Revenues over (under) Expenditures	267,807	267,807	465,912	198,105
Other Financing Sources (Uses):				
Operating Transfers In (Out)	(363,615)	(363,615)	(399,260)	(35,645)
Net Change in Fund Balance (Budgetary and USGAAP Basis)	$ (95,808)	$ (95,808)	66,652	$ 162,460
Fund Balance - Beginning			2,929,200	
Fund Balance - End of Year			$ 2,995,852	

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SUCCESSOR HOUSING AGENCY
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Facility/Building Rental	$ -	$ 45,000	$ 44,910	$ (90)
Investment Earnings	68,517	23,517	20,734	(2,783)
Miscellaneous Revenues	114,078	74,078	71,416	(2,662)
Total Revenues	182,595	142,595	137,060	(5,535)
Expenditures:				
Planning	124,000	124,000	113,527	10,473
Total Expenditures	124,000	124,000	113,527	10,473
Net Change in Fund Balance (Budgetary and USGAAP Basis)	$ 58,595	$ 18,595	23,533	$ 4,938
Fund Balance - Beginning			213,529	
Fund Balance - End of Year			$ 237,062	

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FACILITY
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Fees and Services	$ 7,200	$ 7,200	$ 2,215	$ (4,985)
Investment earnings	200	200	218	18
Total Revenues	7,400	7,400	2,433	(4,967)
Expenditures	50,000	50,000	57,305	(7,305)
Net Changes in Fund Balance (Budgetary and USGAAP Basis)	$ (42,600)	$ (42,600)	(54,872)	$ (12,272)
Fund Balance - Beginning			(48,799)	
Fund Balance - End of Year			$ (103,671)	

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - TRAFFIC IMPACT MITIGATION
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Fees and Services	$ 142,000	$ 142,000	$ 81,216	$ (60,784)
Investment earnings	3,500	3,500	4,434	934
Total Revenues	145,500	145,500	85,650	(59,850)
Expenditures	150,000	150,000	87,318	62,682
Excess (Deficiency) of Revenues over (under) Expenditures	(4,500)	(4,500)	(1,668)	2,832
Other Financing Sources (Uses):				
Operating Transfers In (Out)	-	-	-	-
Net Changes in Fund Balance (Budgetary and USGAAP Basis)	$ (4,500)	$ (4,500)	(1,668)	$ 2,832
Fund Balance - Beginning			1,216,115	
Fund Balance - End of Year			$ 1,214,447	

2. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Schedule of Proportionate Share of the Net Pension Liability

The proportion (percentage) of the collective net pension liability represents the City's share of both cost-sharing plan assets (the miscellaneous and safety plans) offset against the actuarial determined collective pension liability.

The proportionate share (dollar amount) of the collective net pension liability represents the City's share of both cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered-employee payroll represents the payroll of employees that are provided with pensions through the applicable miscellaneous or safety pension plan.

Schedule of Contributions

The employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Schedule of City's Proportionate Share of Net Pension Liability		
City's proportion of net pension liability	0.16839%	0.14606%
City's proportionate share of net pension liability	$ 11,558,421	$ 9,088,772
City's covered-employee payroll	$ 4,527,362	$ 4,236,936
City's proportionate share of net pension liability as a percentage of its covered-employee payroll	255.30%	214.51%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%
Schedule of City's Contributions		
Contractually required contribution	$ 1,091,041	$ 840,335
Contributions in relation to the contractually required contribution	(1,091,041)	(840,335)
Contribution deficiency (excess)	$ -	$ -
City's covered-employee payroll	$ 4,527,362	$ 4,236,936
Contributions as a percentage of covered-employee payroll	24.10%	19.83%

3. OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation						
Valuation Date	Value of Assets	Entry Age Accrued	Unfunded Liability	Funding Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
2013	$ -	$ 5,488,829	$ 5,488,829	0%	$ 4,491,412	122%
2014	$ -	$ 5,488,829	$ 5,488,829	0%	$ 4,236,936	130%
2015	$ -	$ 5,488,829	$ 5,488,829	0%	$ 4,527,362	121%
2016	$ -	$ 5,556,251	$ 5,556,251	0%	$ 4,506,698	123%

SUPPLEMENTAL INFORMATION

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The following three disclosures are being provided as supplemental information to the financial statements.

1. Major Funds Budgetary Comparison Schedules (pages 66 – 67)

GASB 34 requires budgetary comparison schedules be presented as required supplementary information for the General Fund and for major governmental funds that have a legally adopted annual budget. Budgetary comparison schedules for the enterprise funds (listed below) are presented in this section as supplemental information:

	Page
Proprietary Funds:	
Recreation Fund	66
Wastewater Fund	67

As stated in the footnotes, the Public Financing Authority Fund does not have a legally adopted annual budget and, therefore, no schedule for that fund is presented here.

These schedules are presented with the budgetary basis amounts and then reconciled to the Accounting Principles Generally Accepted in the United States of America (USGAAP) basis. Budgetary amounts are on the cash basis. The basis adjustments for prepaid expenses and compensated absences convert the amounts to the accrual (USGAAP) basis. The capital outlay adjustment is necessary because these items are capitalized and depreciated over time. Principal payments reduce long-term debt. The City does not budget for depreciation; it is a non-cash expense.

2. Nonmajor Governmental Funds (pages 68 – 80)

All nonmajor funds are presented in the Fund Financial Statements as a total in one column entitled "Other Governmental Funds." Presented in this section are combining schedules for the following statements:

	Page
Balance Sheet	68 - 70
Statement of Revenues, Expenditures, and Changes in Fund Balances	71 - 73
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual	74 - 80

The schedules show separate totals for the special revenue funds, debt service fund, and capital projects funds as well as a grand total.

3. Fiduciary Funds (pages 81 - 83)

The Statement of Fiduciary Net Assets is presented on page 26. Included in this supplemental information section are the Combining Statement of Fiduciary Net Assets and the Combining Statement of Changes of Assets and Liabilities for all Fiduciary Funds.

CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
ENTERPRISE FUND BUDGETARY SCHEDULE - RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Fees and Services	$ 966,000	$ 966,000	$ 981,434	$ 15,434
Total Operating Revenues	966,000	966,000	981,434	15,434
Operating Expenses:				
Salaries	547,489	547,489	595,529	(48,040)
Taxes and Benefits	197,341	197,341	261,204	(63,863)
Maintenance and Operations	107,600	107,600	91,387	16,213
Advertising	7,500	7,500	7,778	(278)
Professional and Contractual Services	120,000	120,000	142,355	(22,355)
Utilities and Communications	12,900	12,900	12,878	22
Insurance and Bonds	13,150	13,150	12,910	240
Capital Outlay	-	-	1,000	(1,000)
Total Operating Expenses	1,005,980	1,005,980	1,125,041	(119,061)
(Loss) from Operations	(39,980)	(39,980)	(143,607)	(103,627)
Transfers In			93,492	93,492
Transfers (Out)	(39,980)	(39,980)	(30,223)	9,757
Change in Net Position (Budgetary Basis)	(79,960)	(79,960)	(80,338)	(378)
Basis Adjustments:				
OPEB Obligation	-	-	(48,988)	(48,988)
Depreciation	-	-	(1,000)	(1,000)
Change in Net Position (USGAAP Basis)	$ (79,960)	$ (79,960)	(130,326)	$ (50,366)
Net Position - Beginning			(1,003,961)	
Net Position - End of Year			$ (1,134,287)	

CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
ENTERPRISE FUND BUDGETARY SCHEDULE - WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Operating Revenues:				
Fees and Services	$ 2,114,590	$ 2,114,590	$ 2,055,620	$ (58,970)
Total Operating Revenues	2,114,590	2,114,590	2,055,620	(58,970)
Operating Expenses:				
Salaries	521,314	521,314	529,974	(8,660)
Taxes and Benefits	386,162	386,162	495,710	(109,548)
Maintenance and Operations	600,600	600,600	722,065	(121,465)
Professional and Contractual Services	80,000	80,000	74,629	5,371
Utilities and Communications	301,000	301,000	334,838	(33,838)
Insurance and Bonds	59,015	59,015	53,776	5,239
Capital Outlay	326,100	326,100	776,802	(450,702)
Total Operating Expenses	2,274,191	2,274,191	2,987,794	(713,603)
(Loss) from Operations	(159,601)	(159,601)	(932,174)	(772,573)
Nonoperating Revenues (Expenditures):				
Interest Income	6,400	6,400	8,604	2,204
Connection Fees	74,000	74,000	28,989	(45,011)
Net Income before Transfers	(79,201)	(79,201)	(894,581)	(815,380)
Transfers In (Out)	(126,562)	(126,562)	(63,214)	63,348
Change in Net Position (Budgetary Basis)	(205,763)	(205,763)	(957,795)	(752,032)
Basis Adjustments:				
OPEB Obligation	-	-	(64,842)	(64,842)
Capital Outlay	-	-	119,440	119,440
Depreciation	-	-	(777,802)	(777,802)
Change in Net Position (USGAAP Basis)	$ (205,763)	$ (205,763)	(1,680,999)	$ (1,475,236)
Net Position - Beginning			16,425,962	
Net Position - End of Year			$ 14,744,963	

CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds										
	Recycling	Gas Tax	Drainage Construction	Park and Recreation Facilities	Police Facility	Senior Center	Mt. Hermon Traffic Mitigation	Green Building Fees	Tree Replacement	Pinewood Estates Landscape Maintenance District	Skypark Landscape Maintenance District
ASSETS											
Cash and Investments	$ 20,063	$412,599	$ 20,173	$ 447,889	$ 185,860	$ 7,860	$ 51,340	$ 164,216	$ 23,433	$ 9,846	$ 485,975
Receivables:											
Due from other Governments	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Note Receivable	-	-	-	-	-	-	-	-	-	-	-
Restricted Assets											
Cash/Investments Held for Others	-	-	-	-	-	-	-	-	-	-	-
Total Assets	$ 20,063	$412,599	$ 20,173	$ 447,889	$ 185,860	$ 7,860	$ 51,340	$ 164,216	$ 23,433	$ 9,846	$ 485,975
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts Payable	$ 1,356	$ -	$ -	$ 5,207	$ -	$ 2,121	$ -	$ -	$ -	$ 44	$ 2,658
Accrued Liabilities	-	-	-	-	-	450	-	-	-	-	-
Due to other Funds	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,356	-	-	5,207	-	2,571	-	-	-	44	2,658
Fund Balances (Deficit):											
Restricted	18,707	412,599	20,173	442,682	185,860	-	-	164,216	23,433	9,802	483,317
Assigned	-	-	-	-	-	5,289	51,340	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances (Deficit)	18,707	412,599	20,173	442,682	185,860	5,289	51,340	164,216	23,433	9,802	483,317
Total Liabilities and Fund Balances (Deficit)	$ 20,063	$412,599	$ 20,173	$ 447,889	$ 185,860	$ 7,860	$ 51,340	$ 164,216	$ 23,433	$ 9,846	$ 485,975

(Continued)

CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds									
	Library Fees	SMIP Fees	Community Center Operations	Supplemental Law Enforcement Services	Surface Transportation Projects Grant	Police Development Fees	EDG - Revolving Loan Fund	Homeland Security Grant	Disability Compliance Fund	Total Special Revenue Funds
ASSETS										
Cash and Investments	$ 229,761	$ 10,415	$ 56,093	$ 39,128	$ 26,859	$ 164,644	$ 549	$ 934	$ 2,471	$2,360,108
Receivables:										
Due from other Governments	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Note Receivable	-	-	-	-	-	-	550,000	-	-	550,000
Restricted Assets										
Cash/Investments Held for Others	-	-	-	-	-	-	-	-	-	-
Total Assets	$ 229,761	$ 10,415	$ 56,093	$ 39,128	$ 26,859	$ 164,644	$ 550,549	$ 934	$ 2,471	$2,910,108
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable	$ -	$ -	$ 1,798	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,184
Accrued Liabilities	-	-	274	-	-	-	-	-	-	724
Due to other Funds	-	-	-	-	-	-	-	1,171	-	1,171
Total Liabilities	-	-	2,072	-	-	-	-	1,171	-	15,079
Fund Balances (Deficit):										
Restricted	229,761	10,415	-	39,128	26,859	164,644	550,549	-	-	2,782,145
Assigned	-	-	54,021	-	-	-	-	-	2,471	113,121
Unassigned	-	-	-	-	-	-	-	(237)	-	(237)
Total Fund Balances (Deficit)	229,761	10,415	54,021	39,128	26,859	164,644	550,549	(237)	2,471	2,895,029
Total Liabilities and Fund Balances (Deficit)	$ 229,761	$ 10,415	$ 56,093	$ 39,128	$ 26,859	$ 164,644	$ 550,549	$ 934	$ 2,471	$2,910,108

(Continued)

CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Debt Service Funds			
	COP Debt Service	Pension Obligation Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	$ 945,463	$ -	$ 945,463	$ 3,305,571
Receivables:				
Due from other Governments	-	-	-	-
Other	-	-	-	-
Note Receivable	-	-	-	550,000
Restricted Assets				
Cash/Investments Held for Others	-	-	-	-
Total Assets	$ 945,463	$ -	$ 945,463	$ 3,855,571
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ -	$ -	$ -	$ 13,184
Accrued Liabilities	-	-	-	724
Due to other Funds	-	-	-	1,171
Total Liabilities	-	-	-	15,079
Fund Balances (Deficit):				
Restricted	-	-	-	2,782,145
Assigned	945,463	-	945,463	1,058,584
Unassigned	-	-	-	(237)
Total Fund Balances (Deficit)	945,463	-	945,463	3,840,492
Total Liabilities and Fund Balances (Deficit)	$ 945,463	$ -	$ 945,463	$ 3,855,571

(Concluded)

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CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds										
	Recycling	Gas Tax	Drainage Construction	Park and Recreation Facilities	Police Facility	Senior Center	Mt.Hermon Traffic Mitigation	Green Building Fees	Tree Replacement	Pinewood Estates Landscape Maintenance District	Skypark Landscape Maintenance District
Revenues:											
Taxes and Assessments	$ 52,736	$ 228,494	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	5,000	-	-	-	-	-	-	-	-	-	-
Fees and Services	-	-	4,730	40,844	8,224	66,030	-	43,905	646	5,760	41,311
Investment Earnings	58	1,753	65	1,700	667	47	189	517	99	31	1,737
Contributions	-	-	-	-	-	2,306	-	-	-	-	-
Miscellaneous Revenues	503	-	-	19,586	-	478	-	-	-	-	-
Total Revenues	58,297	230,247	4,795	62,130	8,891	68,861	189	44,422	745	5,791	43,048
Expenditures:											
Current:											
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Planning and Building	-	-	-	-	-	-	-	3,042	14,846	-	-
Public Works	75,544	640	23	633	246	83,985	70	-	-	5,149	29,024
Capital Outlay	-	77,553	-	81,967	-	5,618	-	-	-	-	-
Debt Service:											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	75,544	78,193	23	82,600	246	89,603	70	3,042	14,846	5,149	29,024
Excess of Revenues over (under) Expenditures	(17,247)	152,054	4,772	(20,470)	8,645	(20,742)	119	41,380	(14,101)	642	14,024
Other Financing Sources (Uses):											
Transfers In	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	(175,000)	-	-	-	(625)	-	-	-	-	-
Net Other Sources (Uses)	-	(175,000)	-	-	-	(625)	-	-	-	-	-
Change in Fund Balances	(17,247)	(22,946)	4,772	(20,470)	8,645	(21,367)	119	41,380	(14,101)	642	14,024
Fund Balances - Beginning	35,954	435,545	15,401	463,152	177,215	26,656	51,221	122,836	37,534	9,160	469,293
Fund Balances - End of Year	$ 18,707	$ 412,599	$ 20,173	$ 442,682	$ 185,860	$ 5,289	$ 51,340	$ 164,216	$ 23,433	$ 9,802	$ 483,317

(Continued)

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CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds									
	Library Fees	SMIP Fees	Community Center Operations	Supplemental Law Enforcement Services	Surface Transportation Projects Grant	Police Development Fees	EDG - Revolving Loan Fund	Homeland Security Grant	Disability Compliance Fund	Total Special Revenue Funds
Revenues:										
Taxes and Assessments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 281,230
Intergovernmental Revenues	-	-	-	100,000	-	-	-	5,962	-	110,962
Fees and Services	4,120	4,241	107,588	-	-	-	-	-	1,144	328,543
Investment Earnings	839	35	103	232	99	605	738	-	8	9,522
Contributions	-	-	-	-	-	-	-	-	-	2,306
Miscellaneous Revenues	-	-	68	-	-	-	-	-	-	20,635
Total Revenues	4,959	4,276	107,759	100,232	99	605	738	5,962	1,152	753,198
Expenditures:										
Current:										
Public Safety	-	-	-	80,626	-	224	-	-	-	80,850
Planning and Building	-	6,023	-	-	-	-	333	-	378	24,622
Public Works	310	-	63,025	-	37	-	-	-	-	258,686
Capital Outlay	-	-	-	63,497	-	-	-	5,029	-	233,664
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges		-	-	-	-	-	-	-	-	-
Total Expenditures	310	6,023	63,025	144,123	37	224	333	5,029	378	597,822
Excess of Revenues over (under) Expenditures	4,649	(1,747)	44,734	(43,891)	62	381	405	933	774	155,376
Other Financing Sources (Uses):										
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	(625)	-	-	-	-	-	-	(176,250)
Net Other Sources (Uses)	-	-	(625)	-	-	-	-	-	-	(176,250)
Change in Fund Balances	4,649	(1,747)	44,109	(43,891)	62	381	405	933	774	(20,874)
Fund Balances - Beginning	225,112	12,162	9,912	83,019	26,797	164,263	550,144	(1,170)	1,697	2,915,903
Fund Balances - End of Year	$ 229,761	$ 10,415	$ 54,021	$ 39,128	$ 26,859	$ 164,644	$ 550,549	$ (237)	$ 2,471	$ 2,895,029

(Continued)

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CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Debt Service Funds			
	COP Debt Service	Pension Obligation Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes and Assessments	$ -	$ -	$ -	$ 281,230
Intergovernmental Revenues	-	-	-	110,962
Fees and Services	-	-	-	328,543
Investment Earnings	3,476	-	3,476	12,998
Contributions	-	-	-	2,306
Miscellaneous Revenues	-	-	-	20,635
Total Revenues	3,476	-	3,476	756,674
Expenditures:				
Current:				
Public Safety	-	-	-	80,850
Planning and Building	-	-	-	24,622
Public Works	-	-	-	258,686
Capital Outlay	-	-	-	233,664
Debt Service:				
Principal	-	320,000	320,000	320,000
Interest and Fiscal Charges	1,285	126,428	127,713	127,713
Total Expenditures	1,285	446,428	447,713	1,045,535
Excess of Revenues over (under) Expenditures	2,191	(446,428)	(444,237)	(288,861)
Other Financing Sources (Uses):				
Transfers In	-	446,428	446,428	446,428
Transfers (Out)	-	-	-	(176,250)
Net Other Sources (Uses)	-	446,428	446,428	270,178
Change in Fund Balances	2,191	-	2,191	(18,683)
Fund Balances - Beginning	943,272	-	943,272	3,859,175
Fund Balances - End of Year	$ 945,463	$ -	$ 945,463	$ 3,840,492

(Concluded)

003

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds											
	Recycling			Gas Tax			Drainage Construction			Park and Recreation Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes and Assessments	$ 53,500	$ 52,736	$ (764)	$ 258,850	$ 228,494	$ (30,356)	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	5,000	5,000	-	-	-	-	-	-	-	-	-	-
Fees and Services	-	-	-	-	-	-	3,000	4,730	1,730	25,000	40,844	15,844
Investment Earnings	-	58	58	1,100	1,753	653	200	65	(135)	1,000	1,700	700
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenues	-	503	503	-	-	-	-	-	-	-	19,586	19,586
Total Revenues	58,500	58,297	(203)	259,950	230,247	(29,703)	3,200	4,795	1,595	26,000	62,130	36,130
Expenditures:												
Current:												
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Building	-	-	-	-	-	-	-	-	-	-	-	-
Public Works	58,500	75,544	(17,044)	-	640	(640)	-	23	(23)	-	633	(633)
Capital Outlay	-	-	-	75,000	77,553	(2,553)	-	-	-	168,000	81,967	86,033
Debt Service:												
Retirement of Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	58,500	75,544	(17,044)	75,000	78,193	(3,193)	-	23	(23)	168,000	82,600	85,400
Excess of Revenues over (under) Expenditures	-	(17,247)	(17,247)	184,950	152,054	(32,896)	3,200	4,772	1,572	(142,000)	(20,470)	121,530
Other Financing Sources (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	(150,000)	(175,000)	(25,000)	-	-	-	-	-	-
Net Other Sources (Uses)	-	-	-	(150,000)	(175,000)	(25,000)	-	-	-	-	-	-
Excess of Revenues and other Sources over (under) Expenditures and other Uses	$ -	(17,247)	$ (17,247)	$ 34,950	(22,946)	$ (57,896)	$ 3,200	4,772	$ 1,572	$ (142,000)	(20,470)	$ 121,530
Fund Balances - Beginning		35,954			435,545			15,401			463,152	
Fund Balances - End of Year		$ 18,707			$ 412,599			$ 20,173			$ 442,682	

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds											
	Police Facility			Senior Center			Mt. Hermon Traffic Mitigation			Green Building Fees		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes and Assessments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Fees and Services	3,500	8,224	4,724	78,500	66,030	(12,470)	-	-	-	10,800	43,905	33,105
Investment Earnings	550	667	117	10	47	37	120	189	69	300	517	217
Contributions	-	-	-	1,500	2,306	806	-	-	-	-	-	-
Miscellaneous Revenues	-	-	-	200	478	278	-	-	-	-	-	-
Total Revenues	4,050	8,891	4,841	80,210	68,861	(11,349)	120	189	69	11,100	44,422	33,321
Expenditures:												
Current:												
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Building	-	-	-	-	-	-	-	-	-	-	3,042	(3,042)
Public Works	-	246	(246)	84,367	83,985	382	-	70	(70)	-	-	-
Capital Outlay	125,000	-	125,000	-	5,618	(5,618)	-	-	-	-	-	-
Debt Service:												
Retirement of Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	125,000	246	124,754	84,367	89,603	(5,236)	-	70	(70)	-	3,042	(3,042)
Excess of Revenues over (under) Expenditures	(120,950)	8,645	129,595	(4,157)	(20,742)	(16,585)	120	119	(1)	11,100	41,380	30,279
Other Financing Sources (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	(625)	(625)	-	-	-	-	-	-	-
Net Other Sources (Uses)	-	-	-	(625)	(625)	-	-	-	-	-	-	-
Excess of Revenues and other Sources over (under) Expenditures and other Uses	$ (120,950)	8,645	$ 129,595	$ (4,782)	(21,367)	$ (16,585)	$ 120	119	$ (1)	$ 11,100	41,380	$ 30,279
Fund Balances - Beginning		177,215			26,656			51,221			122,836	
Fund Balances - End of Year		$ 185,860			$ 5,289			$ 51,340			$ 164,216	

(Continued)

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CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds											
	Tree Replacement			Pinewood Estates Landscape Maintenance			Skypark Maintenance District			Library Fees		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes and Assessments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Fees and Services	300	646	346	6,240	5,760	(480)	41,750	41,311	(439)	5,000	4,120	(880)
Investment Earnings	100	99	(1)	25	31	6	1,200	1,737	537	550	839	289
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	400	745	345	6,265	5,791	(474)	42,950	43,048	98	5,550	4,959	(591)
Expenditures:												
Current:												
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Building	10,000	14,846	(4,846)	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	13,500	5,149	8,351	32,000	29,024	2,976	-	310	(310)
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:												
Retirement of Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	10,000	14,846	(4,846)	13,500	5,149	8,351	32,000	29,024	2,976	-	310	(310)
Excess of Revenues over (under) Expenditures	(9,600)	(14,101)	(4,501)	(7,235)	642	7,877	10,950	14,024	3,074	5,550	4,649	(901)
Other Financing Sources (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	-	-	-	-	-	-	-	-	-
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and other Sources over (under) Expenditures and other Uses	$ (9,600)	(14,101)	$ (4,501)	$ (7,235)	642	$ 7,877	$ 10,950	14,024	$ 3,074	$ 5,550	4,649	$ (901)
Fund Balances - Beginning		37,534			9,160			469,293			225,112	
Fund Balances - End of Year		$ 23,433			$ 9,802			$ 483,317			$ 229,761	

(Continued)

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CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds											
	SMIP Fees			Community Center Operations			Supplemental Law Enforcement Services			Surface Transportation Projects Grant		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes and Assessments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	-	-	-	-	-	-	100,000	100,000	-	-	-	-
Fees and Services	2,500	4,241	1,741	70,000	107,588	37,588	-	-	-	-	-	-
Investment Earnings	20	35	15	-	103	103	160	232	72	70	99	29
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenues	-	-	-	-	68	68	-	-	-	-	-	-
Total Revenues	2,520	4,276	1,756	70,000	107,759	37,759	100,160	100,232	72	70	99	29
Expenditures:												
Current:												
Public Safety	-	-	-	-	-	-	-	80,626	(80,626)	-	-	-
Planning and Building	-	6,023	(6,023)	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	68,058	63,025	5,033	-	-	-	-	37	(37)
Capital Outlay	-	-	-	-	-	-	86,000	63,497	22,503	-	-	-
Debt Service:												
Retirement of Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	6,023	(6,023)	68,058	63,025	5,033	86,000	144,123	(58,123)	-	37	(37)
Excess of Revenues over (under) Expenditures	2,520	(1,747)	(4,267)	1,942	44,734	42,792	14,160	(43,891)	(58,051)	70	62	(8)
Other Financing Sources (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	(625)	(625)	-	-	-	-	-	-	-
Net Other Sources (Uses)	-	-	-	(625)	(625)	-	-	-	-	-	-	-
Excess of Revenues and other Sources over (under) Expenditures and other Uses	$ 2,520	(1,747)	$ (4,267)	$ 1,317	44,109	$ 42,792	$ 14,160	(43,891)	$ (58,051)	$ 70	62	$ (8)
Fund Balances - Beginning		12,162			9,912			83,019			26,797	
Fund Balances - End of Year		$ 10,415			$ 54,021			$ 39,128			$ 26,859	

(Continued)

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CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds											
	Police Development Fees			EDG - Revolving Loan Fund			Homeland Security Grant			Disability Compliance Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes and Assessments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	-	-	-	-	-	-	-	5,962	5,962	-	-	-
Fees and Services	-	-	-	-	-	-	-	-	-	1,000	1,144	144
Investment Earnings	400	605	205	1,400	738	(662)	-	-	-	-	8	8
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	400	605	205	1,400	738	(662)	-	5,962	5,962	1,000	1,152	152
Expenditures:												
Current:												
Public Safety	-	224	(224)	-	-	-	-	-	-	-	-	-
Planning and Building	-	-	-	-	333	(333)	-	-	-	-	378	(378)
Public Works	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	5,029	(5,029)	-	-	-
Debt Service:												
Retirement of Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	224	(224)	-	333	(333)	-	5,029	(5,029)	-	378	(378)
Excess of Revenues over (under) Expenditures	400	381	(19)	1,400	405	(995)	-	933	933	1,000	774	(226)
Other Financing Sources (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	-	-	-	-	-	-	-	-	-
Net Other Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and other Sources over (under) Expenditures and other Uses	$ 400	381	$ (19)	$ 1,400	405	$ (995)	$ -	933	$ 933	$ 1,000	774	$ (226)
Fund Balances - Beginning		164,263			550,144			(1,170)			1,697	
Fund Balances - End of Year		$ 164,644			$ 550,549			$ (237)			$ 2,471	

(Continued)

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CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			Debt Service Funds								
	Totals - Special Revenue Funds			COP Debt Service			Pension Obligation Bonds			Totals - Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes and Assessments	$ 312,350	$ 281,230	$ (31,120)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	105,000	110,962	5,962	-	-	-	-	-	-	-	-	-
Fees and Services	247,590	328,543	80,953	-	-	-	-	-	-	-	-	-
Investment Earnings	7,205	9,522	2,317	1,700	3,476	1,776	-	-	-	1,700	3,476	1,776
Contributions	1,500	2,306	806	-	-	-	-	-	-	-	-	-
Miscellaneous Revenues	200	20,635	20,435	-	-	-	-	-	-	-	-	-
Total Revenues	673,845	753,198	79,353	1,700	3,476	1,776	-	-	-	1,700	3,476	1,776
Expenditures:												
Current:												
Public Safety	-	80,850	(80,850)	-	-	-	-	-	-	-	-	-
Planning and Building	10,000	24,622	(14,622)	-	-	-	-	-	-	-	-	-
Public Works	256,425	258,686	(2,261)	-	-	-	-	-	-	-	-	-
Capital Outlay	454,000	233,664	220,336	-	-	-	-	-	-	-	-	-
Debt Service:												
Retirement of Principal	-	-	-	-	-	-	320,000	320,000	-	320,000	320,000	-
Interest Expense	-	-	-	-	1,285	1,285	124,358	126,428	(2,070)	124,358	127,713	(3,355)
Total Expenditures	720,425	597,822	122,603	-	1,285	1,285	444,358	446,428	(2,070)	444,358	447,713	(3,355)
Excess of Revenues over (under) Expenditures	(46,580)	155,376	201,956	1,700	2,191	3,061	(444,358)	(446,428)	(2,070)	(442,658)	(444,237)	(1,579)
Other Financing Sources (Uses):												
Transfers In	-	-	-	-	-	-	444,358	446,428	2,070	444,358	446,428	2,070
Transfers (Out)	(151,250)	(176,250)	(25,000)	-	-	-	-	-	-	-	-	-
Net Other Sources (Uses)	(151,250)	(176,250)	(25,000)	-	-	-	444,358	446,428	2,070	444,358	446,428	2,070
Excess of Revenues and other Sources over (under) Expenditures and other Uses	$ (197,830)	(20,874)	$ 176,956	$ 1,700	2,191	$ 3,061	$ -	-	$ -	$ 1,700	2,191	$ 491
Fund Balances - Beginning		2,915,903			943,272			-			943,272	
Fund Balances - End of Year		$2,895,029			$ 945,463			$ -			$ 945,463	

(Continued)

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CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Totals - Nonmajor Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes and Assessments	$ 312,350	$ 281,230	$ (31,120)
Intergovernmental Revenues	105,000	110,962	5,962
Fees and Services	247,590	328,543	80,953
Investment Earnings	8,905	12,998	4,093
Contributions	1,500	2,306	806
Miscellaneous Revenues	200	20,635	20,435
Total Revenues	675,545	756,674	81,129
Expenditures:			
Current:			
Public Safety	-	80,850	(80,850)
Planning and Building	10,000	24,622	(14,622)
Public Works	256,425	258,686	(2,261)
Capital Outlay	454,000	233,664	220,336
Debt Service:			
Retirement of Principal	-	320,000	(320,000)
Interest Expense	-	127,713	(127,713)
Total Expenditures	720,425	1,045,535	(325,110)
Excess of Revenues over (under) Expenditures	(44,880)	(288,861)	(243,981)
Other Financing Sources (Uses):			
Transfers In	444,358	446,428	2,070
Transfers (Out)	(151,250)	(176,250)	(25,000)
Net Other Sources (Uses)	293,108	270,178	(22,930)
Excess of Revenues and other Sources over (under) Expenditures and other Uses	$ 248,228	(18,683)	$ (266,911)
Fund Balances - Beginning		3,859,175	
Fund Balances - End of Year		$ 3,840,492	

(Concluded)

STATISTICAL SECTION

(Unaudited)

CITY OF SCOTTS VALLEY
NARRATIVE EXPLANATION OF STATISTICAL SECTION CATEGORIES

Financial Trends

The financial trends section provides information to assist the user in understanding and assessing how the City's financial position has changed over time. Tables 1 and 2 present information from the government-wide statements. Tables 3 and 4 present information from the fund financial statements.

Revenue Capacity Information

The revenue capacity information section provides information to assist the user in understanding and assessing the factors affecting the City's ability to generate its own-source revenues. Table 5 presents the assessed value of the residential, commercial and other property within the City. Table 6 presents the general property tax rate as well as tax rates from various school districts. Table 7 presents the top ten property tax payers. Table 8 presents the amount of property taxes levied and collected.

Debt Capacity Information

The debt capacity information section provides information to assist the user in understanding and assessing the City's debt burden and ability to issue additional debt. Table 9 presents the outstanding balance of all direct and overlapping government debt at fiscal year end. Table 10 presents the City's debt by type as well as total debt as a percentage of personal income and total debt per capita. The personal income is of the County of Santa Cruz because there is no information available for the City of Scotts Valley alone. Table 11 presents the maximum amount of debt the City can legally incur. Table 12 presents the coverage of pledged revenue sources to the total debt they service.

Demographic and Economic Information

The demographic and economic information section provides information to assist the user in (1) understanding the socioeconomic environment within which the City operates, and (2) to provide information that facilitates comparisons of financial statement information over time and among governments. Table 13 presents population and unemployment rate for the City of Scotts Valley as well as the population, personal income, and per capita income for the County of Santa Cruz. Table 14 presents the top ten employers in terms of number of employees.

Operating Information

The operating information section provides contextual information about the City's operations and resources to assist readers in using financial statement information to understand and assess the City's economic condition. Table 15 provides the number of full-time equivalent City employees. For example, two half-time employees would equal one full-time equivalent employee. Table 16 provides operating statistics for various city departments. Table 17 presents capital assets by city function.

CITY OF SCOTTS VALLEY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

Table 1

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:										
Net Investment in Capital Assets	$ 30,686,650	$ 25,777,811	$ 25,257,926	$ 26,144,045	$ 22,507,403	$ 27,040,188	$ 21,970,018	$ 25,492,129	$ 18,859,445	$ 18,729,566
Restricted	5,624,316	4,706,893	5,156,689	5,040,899	9,167,537	9,263,744	9,367,619	9,281,113	12,772,266	12,691,999
Unrestricted	(13,728,552)	(6,941,140)	1,067,845	1,132,287	4,841,149	2,572,631	7,131,967	5,087,217	7,812,758	5,809,030
Total Governmental Activities	$ 22,582,414	$ 23,543,564	$ 31,482,460	$ 32,317,231	$ 36,516,089	$ 38,876,563	$ 38,469,604	$ 39,860,459	$ 39,444,469	$ 37,230,595
Business-Type Activities:										
Net Investment in Capital Assets	$ 12,877,519	$ 13,535,881	$ 14,021,485	$ 14,323,746	$ 14,717,231	$ 15,316,734	$ 15,934,291	$ 16,699,166	$ 17,181,967	$ 17,889,063
Restricted	2,150,421	2,155,781	2,298,653	2,443,372	2,298,653	2,298,653	2,271,452	2,239,903	5,366,589	4,983,103
Unrestricted	(644,072)	(269,661)	1,835,651	2,469,689	3,260,042	3,653,362	4,142,628	4,377,221	1,477,586	1,715,435
Total Business-Type Activities	$ 14,383,868	$ 15,422,001	$ 18,155,789	$ 19,236,807	$ 20,275,926	$ 21,268,749	$ 22,348,371	$ 23,316,290	$ 24,026,142	$ 24,587,601
Primary Government:										
Net Investment in Capital Assets	$ 43,564,169	$ 39,313,692	$ 39,279,411	$ 40,467,791	$ 37,224,634	$ 42,356,922	$ 42,191,295	$ 36,041,412	$ 36,041,412	$ 36,618,629
Restricted	7,774,737	6,862,674	7,455,342	7,484,271	11,466,190	11,562,397	11,521,016	18,138,855	18,138,855	17,675,102
Unrestricted	(14,372,624)	(7,210,801)	2,903,496	3,601,976	8,101,191	6,225,993	9,464,438	9,290,344	9,290,344	7,524,465
Total Primary Government	$ 36,966,282	$ 38,965,565	$ 49,638,249	$ 51,554,038	$ 56,792,015	$ 60,145,312	$ 63,176,749	$ 63,470,611	$ 63,470,611	$ 61,818,196

CITY OF SCOTTS VALLEY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

Table 2

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental Activities										
General Government	$ 1,905,906	$ 1,841,382	$ 1,942,629	$ 1,813,920	$ 5,563,325	$ 1,616,506	$ 1,810,197	$ 1,696,526	$ 1,594,392	$ 1,512,706
Public Safety	5,332,955	4,614,596	4,432,039	4,590,667	4,855,212	4,545,261	4,478,827	4,341,735	3,776,900	3,611,534
Planning & Building	1,223,947	927,748	804,651	3,157,314	1,185,758	1,177,840	1,324,567	1,567,761	1,791,231	1,148,286
Public Works	3,352,397	3,025,535	2,951,185	2,924,033	2,961,167	2,964,358	2,893,508	3,073,540	2,816,823	2,746,454
Redevelopment	-	-	-	-	-	3,036,341	4,262,521	3,015,135	3,320,907	2,648,024
Interest on Long-Term Debt and Fiscal Agent Charges	508,274	515,679	712,066	627,398	967,148	1,327,314	1,089,220	769,873	959,441	997,556
Total Governmental Activities Expense	12,323,479	10,924,940	10,842,570	13,113,332	15,532,610	14,667,620	15,858,840	14,464,570	14,259,694	12,664,560
Business-Type Activities										
Wastewater	2,987,794	2,721,258	2,812,627	2,765,435	3,291,469	2,767,101	2,699,018	2,667,765	2,696,078	2,529,974
Recreation Programs	1,125,041	1,002,901	988,782	930,671	1,410,728	1,082,101	1,014,510	1,058,100	1,001,179	971,495
Total Business-Type Activities Expense	4,112,835	3,724,159	3,801,409	3,696,106	4,702,197	3,849,202	3,713,528	3,725,865	3,697,257	3,501,469
Total Primary Government Expense	$ 16,436,314	$ 14,649,099	$ 14,643,979	$ 16,809,438	$ 20,234,807	$ 18,516,822	$ 19,572,368	$ 18,190,435	$ 17,956,951	$ 16,166,029
Program Revenues:										
Governmental Activities										
Charges for Services										
Planning and Building fees	$ 481,578	$ 684,540	$ 461,104	$ 405,476	$ 366,747	$ 263,223	$ 404,389	$ 241,972	$ 358,411	$ 396,364
Police fees	39,246	35,756	24,781	27,800	46,587	44,752	42,941	41,880	44,288	58,898
Senior Center / Community Ctr	176,620	154,877	131,248	126,627	126,143	113,109	95,281	86,674	91,390	131,892
Public Works fees	286,999	120,999	89,839	137,427	99,328	66,082	68,962	83,842	72,987	55,360
Redevelopment	-	-	-	-	-	20,759	44,767	-	-	-
Other activities	163,755	109,741	185,953	203,234	240,540	42,810	54,805	15,843	20,822	23,775
Operating Grants and Contributions	502,181	595,858	612,003	498,658	670,329	551,923	570,137	785,195	609,797	702,787
Capital Grants and Contributions	189,924	1,153,630	646,290	439,962	344,033	2,644,693	1,585,890	529,291	1,155,665	991,790
Total Gov'tal Activities Program Revenue	1,840,303	2,855,401	2,151,218	1,839,184	1,893,707	3,747,351	2,867,172	1,784,697	2,353,360	2,360,866
Business-Type Activities										
Charges for Services										
Wastewater fees	1,968,900	1,868,388	1,789,141	1,606,806	1,636,584	1,658,676	1,649,206	1,786,907	1,750,667	1,760,937
Recreational program fees	981,434	962,819	832,749	737,035	810,703	853,043	811,764	888,210	986,920	944,650
Operating Grants and Contributions	86,720	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	28,989	78,371	59,964	171,084	137,245	20,326	18,204	56,526	54,344	103,295
Total Business-Type Activities Program Revenues	3,066,043	2,909,578	2,681,854	2,514,925	2,584,532	2,532,045	2,479,174	2,731,643	2,791,931	2,808,882
Total Primary Gov't Program Revenues	$ 4,906,346	$ 5,764,979	$ 4,833,072	$ 4,354,109	$ 4,478,239	$ 6,279,396	$ 5,346,346	$ 4,516,340	$ 5,145,291	$ 5,169,748

CITY OF SCOTTS VALLEY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

Table 2 (concluded)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (Expense) Revenue										
Governmental Activities	$ (10,483,176)	$ (8,069,539)	$ (8,691,352)	$ (11,274,148)	$ (13,638,903)	$ (10,920,269)	$ (12,991,668)	$ (12,679,873)	$ (11,906,334)	$ (10,303,694)
Business-Type Activities	(1,046,792)	(814,581)	(1,119,555)	(1,181,181)	(2,117,665)	(1,317,157)	(1,234,354)	(994,222)	(905,326)	(692,587)
Total Primary Government Net Expense	$ (11,529,968)	$ (8,884,120)	$ (9,810,907)	$ (12,455,329)	$ (15,756,568)	$ (12,237,426)	$ (14,226,022)	$ (13,674,095)	$ (12,811,660)	$ (10,996,281)
General Revenues and Other Changes in Net Position										
General Activities										
Taxes										
Sales tax	$ 3,534,523	$ 3,156,258	$ 2,234,797	$ 1,976,580	$ 1,887,496	$ 2,108,247	$ 2,105,107	$ 2,987,902	$ 3,189,364	$ 2,978,618
Property tax	1,313,578	1,821,109	1,738,055	1,855,084	2,143,174	5,677,178	6,051,637	6,212,728	6,204,821	5,891,951
Vehicle-in-lieu fee	960,758	897,721	839,118	828,062	840,480	902,756	898,579	928,568	919,817	890,180
Franchise fees	972,951	948,949	798,928	798,514	770,730	809,404	791,649	784,264	764,895	792,521
Transient Occupancy Tax	1,011,432	1,058,996	926,199	780,648	712,605	569,684	543,946	520,153	723,257	693,788
Utility users tax	694,552	654,411	637,547	602,892	600,478	628,824	631,493	705,936	753,020	767,368
Other taxes	529,092	460,091	397,325	372,313	345,945	340,697	336,638	343,261	407,406	519,374
Investment Earnings	38,666	81,574	20,406	60,497	85,866	43,869	117,998	312,945	680,783	606,404
Miscellaneous	466,529	588,801	294,999	444,698	450,130	453,954	416,946	442,690	517,475	455,417
Transfers	(55)	(10,936)	(30,793)	(134,929)	(1,111,294)	(207,385)	(228,180)	(142,584)	(40,630)	(25,877)
Total Governmental Activities	9,522,026	9,656,974	7,856,581	7,584,359	6,725,610	11,327,228	11,665,813	13,095,863	14,120,208	13,569,744
Business-Type Activities										
Investment Earnings	8,604	5,842	7,744	7,133	13,548	30,150	38,255	141,786	303,237	355,102
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	55	10,936	30,793	134,929	1,111,294	207,385	228,180	142,584	40,630	25,877
Total Business-Type Activities	8,659	16,778	38,537	142,062	1,124,842	237,535	266,435	284,370	343,867	380,979
Total Primary Government	$ 9,530,685	$ 9,673,752	$ 7,895,118	$ 7,726,421	$ 7,850,452	$ 11,564,763	$ 11,932,248	$ 13,380,233	$ 14,464,075	$ 13,950,723
Extraordinary Gain	$ -	$ -	$ -	$ -	$ 4,552,819	$ -	$ -	$ -	$ -	$ -
Change in Net Position										
Governmental Activities	$ (961,150)	$ 1,587,435	$ (834,771)	$ (3,689,789)	$ (2,360,474)	$ 406,959	$ (1,325,855)	$ 415,990	$ 2,213,874	$ 3,266,050
Business-Type Activities	(1,038,133)	(797,803)	(1,081,018)	(1,039,119)	(992,823)	(1,079,622)	(967,919)	(709,852)	(561,459)	(311,608)
Total Primary Government	$ (1,999,283)	$ 789,632	$ (1,915,789)	$ (4,728,908)	$ (3,353,297)	$ (672,663)	$ (2,293,774)	$ (293,862)	$ 1,652,415	$ 2,954,442

CITY OF SCOTTS VALLEY
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Table 3

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Restricted	$ 99,003	$ 98,920	$ 211,940	$ 433,352	$ 433,346	$ 433,369	$ -	$ -	$ -	$ -
Unassigned	2,896,849	2,830,280	1,507,677	1,434,328	2,719,892	6,316,586	-	-	-	-
Reserved	-	-	-	-	-	-	4,119,674	4,098,189	4,032,305	3,869,995
Unreserved	-	-	-	-	-	-	1,593,968	2,696,262	2,930,374	2,125,591
Total General Fund	$ 2,995,852	$ 2,929,200	$ 1,719,617	$ 1,867,680	$ 3,153,238	$ 6,749,955	$ 5,713,642	$ 6,794,451	$ 6,962,679	$ 5,995,586
All Other Governmental Funds										
Restricted	$ 4,464,158	$ 4,471,522	$ 4,882,321	$ 4,734,977	$ 7,081,826	$ 8,830,375	$ -	$ -	$ -	$ -
Assigned	1,058,584	1,031,061	1,025,646	1,297,844	1,474,699	1,762,356	-	-	-	-
Unassigned	(86,638)	(68,502)	(61,445)	(65,610)	(78,617)	(4,553,072)	-	-	-	-
Reserved	-	-	-	-	-	-	6,864,865	4,194,717	950,471	558,025
Unreserved, reported in										
Special revenue funds	-	-	-	-	-	-	5,367,094	5,253,192	11,850,607	10,089,640
Capital project funds	-	-	-	-	-	-	379,662	148,031	-	-
Debt service funds	-	-	-	-	-	-	(1,055,384)	(1,525,775)	(1,543,793)	(923,662)
Total All Other Governmental Funds	$ 5,436,104	$ 5,434,081	$ 5,846,522	$ 5,967,211	$ 8,477,908	$ 6,039,659	$ 11,556,237	$ 8,070,165	$ 11,257,285	$ 9,724,003

CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
LAST TEN FISCAL YEARS

Table 4

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Taxes and Assessments	$ 9,362,093	$ 9,444,126	$ 8,052,339	$ 7,598,884	$ 7,748,024	$ 11,447,535	$ 11,776,466	$ 12,953,976	$ 13,347,407	$ 12,912,846
Intergovernmental Revenues	152,753	1,062,025	352,004	110,828	217,028	228,618	1,154,106	538,448	979,568	821,243
Fees and Services	1,192,986	1,285,952	1,183,852	1,187,315	1,018,433	621,447	838,973	676,894	737,500	837,482
Fines and Forfeitures	35,411	70,470	41,731	54,438	57,815	51,001	98,056	63,080	89,098	78,300
Investment Earnings	54,860	92,967	24,865	68,205	97,544	71,123	158,550	423,821	908,992	830,842
Contributions, Non-Governement	2,306	19,911	2,167	46,003	14,340	18,902	16,883	14,484	60,979	151,244
Facility/Building Rental	44,910	22,500	30,000	32,400	32,100	30,000	30,000	5,300	-	-
Miscellaneous Revenues	517,064	525,360	473,808	613,979	542,296	3,534,381	718,131	342,816	386,329	370,458
Total Revenues	11,362,383	12,523,311	10,160,766	9,712,052	9,727,580	16,003,007	14,791,165	15,018,819	16,509,873	16,002,415
Expenditures:										
Current:										
General Government	1,942,389	1,814,779	1,850,794	1,763,970	5,407,571	1,475,238	1,723,271	1,612,901	1,701,720	1,443,253
Public Safety	4,927,713	4,511,889	4,223,936	4,297,153	4,495,974	4,193,222	4,135,205	4,002,014	3,604,995	3,572,920
Planning and Building	1,182,716	929,264	756,737	4,214,913	1,133,940	1,438,042	1,287,042	1,479,113	1,833,919	1,126,216
Public Works	1,979,404	1,753,952	1,753,449	1,696,000	1,668,457	1,705,250	1,715,856	1,723,742	1,673,248	1,659,409
Capital Outlay	446,373	1,902,961	764,110	524,019	687,698	6,819,604	6,193,587	5,291,225	624,415	1,176,862
Tax Increment Pass-Through	-	-	-	-	-	3,036,003	4,262,521	3,015,135	3,320,907	2,648,024
Debt Service										
Principal	465,000	445,000	4,995,000	290,353	262,871	405,568	398,457	391,914	380,232	3,481,083
Interest and Finance Charges	350,058	357,388	354,808	586,970	745,957	1,202,960	871,365	715,539	841,371	779,156
Bond Issuance Costs	-	-	304,891	-	158,332	-	360,606	-	-	187,893
Total Expenditures	11,293,653	11,715,233	15,003,725	13,373,378	14,560,800	20,275,887	20,947,910	18,231,583	13,980,807	16,074,816
Excess(Deficit) of Revenues over (under) Expenditures	68,730	808,078	(4,842,959)	(3,661,326)	(4,833,220)	(4,272,880)	(6,156,745)	(3,212,764)	2,529,066	(72,401)
Other Financing Sources (Uses):										
Operating Transfers In	725,455	1,228,612	1,316,588	900,381	4,965,711	3,405,217	7,444,742	1,024,512	1,274,041	686,716
Operating Transfers Out	(725,510)	(1,239,548)	(1,347,381)	(1,035,310)	(6,077,005)	(3,612,602)	(7,672,922)	(1,167,096)	(1,314,671)	(712,593)
Proceeds from Debt	-	-	4,605,000	-	4,460,000	-	8,760,000	-	-	2,735,000
Premium on Debt Issued	-	-	-	-	-	-	30,188	-	-	18,244
Payment to Bond Escrow	-	-	-	-	-	-	-	-	-	-
Net Other Sources (Uses)	(55)	(10,936)	4,574,207	(134,929)	3,348,706	(207,385)	8,562,008	(142,584)	(40,630)	2,727,367
Extraordinary Gain	-	-	-	-	326,046	-	-	-	-	-
Change in Fund Balances	$ 68,675	$ 797,142	$ (268,752)	$ (3,796,255)	$ (1,158,468)	$ (4,480,265)	$ 2,405,263	$ (3,355,348)	$ 2,488,436	$ 2,654,966
Debt Services as a Percentage of Noncapital Expenditures	8%	8%	38%	7%	7%	12%	9%	9%	9%	29%

CITY OF SCOTTS VALLEY
ASSESSED VALUES OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial and Other Property	Total Taxable Assessed Value	(1) General Tax Rate
2007	1,371,397,054	642,184,663	2,013,581,717	1.00%
2008	1,405,242,945	733,500,977	2,138,743,922	1.00%
2009	1,505,236,463	683,266,714	2,188,503,177	1.00%
2010	1,438,965,976	689,493,889	2,128,459,865	1.00%
2011	1,435,266,066	655,264,432	2,090,530,498	1.00%
2012	1,413,942,688	642,128,306	2,056,070,994	1.00%
2013	1,414,040,184	598,441,394	2,012,481,578	1.00%
2014	1,483,067,171	564,469,568	2,047,536,739	1.00%
2015	1,627,120,418	571,942,811	2,199,063,229	1.00%
2016	1,753,326,658	601,424,458	2,354,751,116	1.00%

(1) Property tax rates are limited to $1.00 per $100.00 assessed valuation based on a June 1978 state constitutional amendment (Proposition 13). The tax rate (1%) is levied by the County and apportioned to local agencies according to a formula prescribed by the State legislature.

The City's share of the 1% property tax rate for its own General Fund is less than 4%. The City established a Redevelopment Agency in 1980. The Agency's Redevelopment Plan was adopted in November 1990. The City's General Fund does not receive any property tax from the tax revenues generated above the base year amount (tax increment revenue). The Agency entered into pass-through agreements with various governmental entities. Approximately 47% of the total tax increment revenue is paid out per these agreements. Another 20% is restricted for low and moderate income housing purposes. California state law eliminated redevelopment agencies effective February 1, 2012. The former tax increment revenue is being collected by the County of Santa Cruz and distributed to the successor redevelopment agencies to the extent of their enforceable obligations. Any revenue collected in excess of the amount of enforceable obligations is distributed to the taxing entities in the same proportion that they receive property taxes.

Source: Santa Cruz County Assessor

CITY OF SCOTTS VALLEY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

		Overlapping Rates	
Fiscal Year	(1) General Tax Rate	Scotts Valley Unified School District	Cabrillo Community College District
2007	1.000%	0.044%	0.027%
2008	1.000%	0.043%	0.030%
2009	1.000%	0.043%	0.033%
2010	1.000%	0.045%	0.036%
2011	1.000%	0.038%	0.062%
2012	1.000%	0.038%	0.062%
2013	1.000%	0.038%	0.062%
2014	1.000%	0.038%	0.062%
2015	1.000%	0.038%	0.062%
2016	1.000%	0.038%	0.062%

(1) See explanation on Table 5.

Source: Santa Cruz County Treasurer / Tax Collector

CITY OF SCOTTS VALLEY
PRINCIPAL PROPERTY TAX PAYERS
LAST TEN FISCAL YEARS

Table 7

	2016			2015			2014			2013			2012		
Taxpayer	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
FIT Ren Oak Tree Villa, LLC	$ 26,787	1	1.32%	$ 21,241	1	1.04%	$ 21,293	2	1.05%	$ 21,359	2	1.05%	$ 21,371	3	1.04%
Graham B and S Family Trust	15,073	2	0.74%	-		-	-		-	-		-	-		-
Granite Creek Business Center	14,683	3	0.72%	12,751	4	0.63%	12,751	4	0.63%	12,751	7	0.63%	12,751	8	0.64%
Ritchie, T	13,713	4	0.67%	-		-	-		-	-		-	-		-
American Yiluen Dev & Holdings	13,012	5	0.64%	-		-	-		-	-		-	-		-
Broughton Land LLC	12,450	6	0.61%	11,538	6	0.57%	10,662	5	0.52%	10,843	9	0.53%	10,719	10	0.54%
A7PP HSV, LLC	11,527	7	0.57%	11,853	5	0.58%	-	0	0.00%	-	-	-	-	-	-
Ow, David L. Trustee, et al.	10,431	8	0.51%	10,227	9	0.50%	10,180	7	0.50%	9,981	10	0.49%	-	-	-
Bethany College of Assemblies	10,374	9	0.51%	-		-	-		-	-		-	-		-
Threshold Enterprises	10,239	10	0.50%	-		-	-		-	-		-	-		-
Scotts Valley Associates	-	-	-	16,514	2	0.81%	16,444	3	0.81%	16,118	3	0.79%	14,179	4	0.71%
LBUBS 2004-Enterprise Way LP	-	-	-	15,250	3	0.75%	29,628	1	1.46%	33,522	1	1.65%	67,779	1	3.42%
DEVCO, LLC	-	-	-	11,015	7	0.54%	10,125	8	0.50%	-	-	-	-	-	-
Scarborough, Nena, TC, ETAL	-	-	-	10,357	8	0.51%	10,521	6	0.52%	15,116	4	0.74%	12,776	7	0.64%
S & A Ito Family Partnership	-	-	-	9,604	10	0.47%	9,560	9	0.47%	-	-	-	-	-	-
Sammie Rae Abitbol, LLC	-	-	-	-	-	-	8,129	10	0.40%	-	-	-	24,185	2	1.22%
Appenrodt Living Trust	-	-	-	-	-	-	-	-	0.00%	14,063	5	0.69%	13,646	5	0.69%
CCMS 2005-CD1 La Madrona LP	-	-	-	-	-	-	-	-	-	13,805	6	0.68%	13,340	6	0.67%
Santa Cruz-Monterey-Merced Man	-	-	-	-	-	-	-	-	-	11,124	8	0.55%	10,906	9	0.55%
Seagate Technology, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aviza Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Elec Cr Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FPA Scotts Valley Assoc, LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5550 Scotts Valley Dr, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borland International	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Top Ten Totals	$138,289		6.79%	$130,350		6.40%	$139,293		6.86%	$158,682		7.80%	$201,652		10.12%

Note: Dollar amounts are in thousands.

Source: Santa Cruz County Assessor

CITY OF SCOTTS VALLEY
PRINCIPAL PROPERTY TAX PAYERS
LAST TEN FISCAL YEARS

Table 7 (concluded)

	2011			2010			2009			2008			2007		
Taxpayer	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
FIT Ren Oak Tree Villa, LLC	$ 25,263	3	1.21%	$ 24,623	3	1.22%	$ 24,140	3	1.14%	$ 23,667	3	1.15%	$ 24,140	3	1.08%
Graham B and S Family Trust	-		-	-		-	-		-	-		-	-		-
Granite Creek Business Center	12,751	7	0.61%	12,751	8	0.62%	12,751	7	0.60%	12,751	7	0.62%	13,006	6	0.58%
Ritchie, T	-		-	-		-	-		-	-		-	-		-
American Yiluen Dev & Holdings	-		-	-		-	-		-	-		-	-		-
Broughton Land LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A7PP HSV, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ow, David L. Trustee, et al.	9,712	10	0.46%	9,735	10	0.48%	9,544	10	-	-	-	-	-	-	-
Bethany College of Assemblies	-		-	-		-	-		-	-		-	-		-
Threshold Enterprises	-		-	-		-	-		-	-		-	-		-
Scotts Valley Associates	14,085	5	0.67%	14,068	5	0.69%	13,792	4	0.65%	13,522	4	0.65%	13,792	4	0.62%
LBUBS 2004-Enterprise Way LP	67,335	1	3.22%	67,514	1	3.33%	66,226	1	3.13%	65,035	1	3.15%	65,943	1	2.95%
DEVCO, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Scarborough, Nena, TC, ETAL	12,727	8	0.61%	12,758	7	0.63%	10,482	9	0.49%	10,276	9	0.50%	10,482	9	0.47%
S & A Ito Family Partnership	-	-	-	-	-	-	-	-	-	-	-	-	8,585	10	0.38%
Sammie Rae Abitbol, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appenrodt Living Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCMS 2005-CD1 La Madrona LP	13,329	6	0.64%	13,331	6	0.66%	13,046	6	0.62%	12,803	6	0.62%	12,165	8	0.54%
Santa Cruz-Monterey-Merced Man	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seagate Technology, LLC	44,316	2	2.12%	40,461	2	2.00%	40,124	2	1.89%	39,581	2	1.92%	35,879	2	1.60%
Aviza Technology	14,871	4	0.71%	13,075	4	0.65%	13,677	5	0.65%	13,408	5	0.65%	13,677	5	0.61%
General Elec Cr Equities	10,825	9	0.52%	11,861	9	0.59%	-	-	0.00%	-	-	0.00%	-	-	0.00%
FPA Scotts Valley Assoc, LP	-	-	-	-	-	-	11,628	8	0.55%	11,400	8	0.55%	12,518	7	0.56%
5550 Scotts Valley Dr, LLC	-	-	-	-	-	-	-	-	0.45%	9,754	10	0.47%	-	-	-
Borland International	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Top Ten Totals	$225,214		10.77%	$220,177		10.87%	$215,410		10.17%	$212,197		10.28%	$210,187		9.39%

Note: Dollar amounts are in thousands.

Source: Santa Cruz County Assessor

Table 8

CITY OF SCOTTS VALLEY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	(1) Taxes Levied	(2) Current Collections	Percent of Levy Collected
2007	751,670	751,670	100%
2008	780,367	780,367	100%
2009	760,707	760,707	100%
2010	759,512	759,512	100%
2011	737,523	737,523	100%
2012	722,279	722,279	100%
2013	737,021	737,021	100%
2014	847,061	847,061	100%
2015	899,215	899,215	100%
2016	852,270	852,270	100%

(1) Levies include real and personal property.

(2) Beginning with the 1993-94 fiscal year, the County of Santa Cruz began distributing 100% of the property taxes assessed under a method of property tax distribution called the Teeter Plan. Therefore, the City collects only current levies; all delinquent levies and penalties are collected by the County.

Source: City of Scotts Valley Finance Department

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CITY OF SCOTTS VALLEY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2016

	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt June 30, 2016
Overlapping Debt:		
Cabrillo Joint Community College District	6.020%	$ 7,428,742
Scotts Valley Unified School District	64.942%	18,391,574
Santa Cruz High School District	0.0004%	135
Santa Cruz County General Fund Obligations	6.064%	4,596,512
Santa Cruz County Office of Education Certificates of Participation	6.064%	600,942
Scotts Valley Unified School District Certificates of Participation	64.942%	2,227,511
Total Overlapping Debt		33,245,416
City Direct Debt:		
City of Scotts Valley Community Facilities District No. 97-1		3,870,000
City of Scotts Valley Certificates of Participation		5,590,588
City of Scotts Valley Pension Ogbligations		3,335,000
Total Direct Debt		12,795,588
Combined Total Debt		$ 46,041,004 (2)

Source: California Municipal Statistics, Inc.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The precentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable precentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF SCOTTS VALLEY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities				Business-Type Activities			
Fiscal Year	Certificates of Participation	Revenue Bonds	Tax Allocation Bonds	Installment Notes	Installment Notes	Total Primary Government	Percentage of Personal Income	Per Capita
2007	7,595	-	6,485	140	-	14,220	2.58%	1,229
2008	7,485	-	6,215	140	-	13,840	2.39%	1,186
2009	7,378	-	5,935	135	-	13,448	2.28%	1,142
2010	7,264	8,760	5,655	130	-	21,809	3.79%	1,844
2011	7,154	8,760	5,365	125	-	21,404	4.46%	1,798
2012	6,045	-	-	-	-	6,045	1.22%	519
2013	5,936	-	-	-	-	5,936	1.18%	508
2014	5,856	-	-	-	-	5,856	1.15%	498
2015	5,731	-	-	110	-	5,841	1.13%	497
2016	5,591	-	-	105	-	5,696	1.11%	477

Notes: Dollar amounts are in thousands, except for per capita.
See note (3) on Table 12 regarding the above Revenue Bonds.
Details of the City's outstanding debt can be found in Note 5 to the financial statements.
The City of Scotts Valley has no general bonded debt.

Source: City of Scotts Valley Finance Department

CITY OF SCOTTS VALLEY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Table 11

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Assessed Valuation	$ 2,355	$ 2,199	$ 2,047	$ 2,035	$ 2,056	$ 2,091	$ 2,128	$ 2,189	$ 2,139	$ 2,014
Redevelopment Incremental Valuation	-	-	-	-	-	(499)	(531)	(551)	(529)	(495)
Net Assessed Valuation	$ 2,355	$ 2,199	$ 2,047	$ 2,035	$ 2,056	$ 1,592	$ 1,597	$ 1,638	$ 1,610	$ 1,519
Debt Limit (15%)	$ 353	$ 330	$ 307	$ 305	$ 308	$ 239	$ 240	$ 246	$ 242	$ 228
Total Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 353	$ 330	$ 307	$ 305	$ 308	$ 239	$ 240	$ 246	$ 242	$ 228

Note: Amounts are in millions.

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Source: Santa Cruz County Assessor's Office

CITY OF SCOTTS VALLEY
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Table 12

	Special Assessment Bonds			
Fiscal Year	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2007	1,155,859	771,000	575,573	0.86
2008	1,025,292	590,000	535,055	0.91
2009	772,923	585,000	402,918	0.78
2010	1,167,710	540,000	368,813	1.28
2011	1,009,856	580,000	429,098	1.00
2012	1,133,951	605,000	369,952	1.16
2013	1,273,669	725,400	256,505	1.30
2014	799,962	755,400	220,848	0.82
2015	416,039	220,000	185,588	1.03
2016	398,619	225,000	177,623	0.99

Source: City of Scotts Valley Finance Department

CITY OF SCOTTS VALLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2007	11,557	552,088	47,771	2.7%
2008	11,574	579,276	50,050	3.4%
2009	11,671	590,278	50,576	5.4%
2010	11,771	575,904	48,926	5.1%
2011	11,903	480,203	40,343	5.5%
2012	11,641	494,836	42,508	4.8%
2013	11,678	504,723	43,220	4.1%
2014	11,954	510,603	42,714	4.3%
2015	11,928	514,860	43,164	4.3%
2015	12,143			4.3%

Source: (1) California State Department of Finance
(2) U.S. Bureau of Econominic Analysis (BEA). Figures are for the preceding calendar year (e.g. Fiscal Year 2014 is 2013 calendar year data). Some prior period numbers were revised by the BEA and have been restated here.
(3) California Employment Development Department

CITY OF SCOTTS VALLEY
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS

Table 14

	2016			2015			2014			2013			2012		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Threshold Enterprises, LTD	621	1	10.63%	503	1	10.63%	503	1	10.69%	388	1	8.62%	402	1	9.71%
Central Coast Alliance	325	2	6.02%	285	2	6.02%	241	3	5.12%	210	4	4.67%	180	2	4.35%
Fox Racing Shox	276	3	5.49%	260	3	5.49%	243	2	5.17%	217	3	4.82%	130	5	3.14%
Bay Photo Lab	201	4	4.25%	201	4	4.25%	226	4	4.80%	220	2	4.89%	-	-	-
Seagate Technology	184	5	3.78%	179	5	3.78%	189	5	4.02%	177	5	3.93%	177	3	4.28%
Bell Sports, Inc	166	6	2.96%	140	6	2.96%	158	6	3.36%	161	6	3.58%	136	4	3.29%
Universal Audio, Inc.	133	7	2.13%	101	7	2.13%	86	8	1.83%	81	7	1.80%	71	8	1.71%
Zero Motorcycles	98	8	1.75%	83	8	1.75%	72	10	1.53%	-	-	-	-	-	-
The Camp	77	9	1.58%	75	9	1.58%	74	9	1.57%	72	9	1.60%	68	10	1.6
Oak Tree Villa SHP	73	10	1.54%	73	10	1.54%	-	-	-	72	10	1.60%	-	-	-
Hilton -Scotts Valley	-	-	-	-	-	-	98	7	2.08%	-	-	-	80	6	1.93%
Comcast Cable	-	-	-	-	-	-	-	-	-	74	8	1.64%	76	7	1.84%
Embarcardero Technologies	-	-	-	-	-	-	-	-	-	-	-	-	70	9	1.69%
Safeway Stores, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aviza	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nob Hill Foods	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SV Unified School District	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Xyratex International	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surfcontrol	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borland Software Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rainmaker Systems, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nokia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2,154		40.13%	1,900		40.13%	1,890		40.17%	1,672		37.15%	1,390		33.57%

Source: City of Scotts Valley Finance Department

CITY OF SCOTTS VALLEY
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS

Table 14 (Concluded)

Employer	2011 Employees	2011 Rank	2011 Percentage of Total City Employment	2010 Employees	2010 Rank	2010 Percentage of Total City Employment	2009 Employees	2009 Rank	2009 Percentage of Total City Employment	2008 Employees	2008 Rank	2008 Percentage of Total City Employment	2007 Employees	2007 Rank	2007 Percentage of Total City Employment
Threshold Enterprises, LTD	392	2	7.73%	430	2	7.93%	548	2	10.42%	541	2	9.27%	516	2	9.04%
Central Coast Alliance	160	3	3.16%	145	3	2.67%	146	4	2.78%	125	6	2.14%	-	-	-
Fox Racing Shox	75	7	1.48%	75	8	1.38%	-	-	-	-	-	-	-	-	-
Bay Photo Lab	-	3	-	-	3	-	-	4	-	-	-	-	-	-	-
Seagate Technology	627	1	12.37%	847	1	15.62%	880	1	16.73%	872	1	14.94%	846	1	14.82%
Bell Sports, Inc	135	4	2.66%	132	4	2.43%	-	-	-	-	-	-	-	-	-
Universal Audio, Inc.	72	8	1.42%	-	-	-	-	-	-	65	10	1.11%	-	-	-
Zero Motorcycles	-		-	-	-	-	-	-	-	-	-	-	-	-	-
The Camp	-		-	73	9	1.35%	75	7	1.43%	83	7	1.42%	73	9	1.28%
Oak Tree Villa SHP	67	9	1.32%	-	-	-	85	6	1.62%	-	-	-	72	10	1.26%
Hilton -Scotts Valley	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Comcast Cable	75	6	1.48%	78	7	1.44%	74	8	1.41%	-	-	-	-	-	-
Embarcardero Technologies	77	5	1.52%	87	6	1.60%	111	5	2.11%	-	-	-	-	-	-
Safeway Stores, Inc.	67	10	1.32%	-	-	-	73	10	1.39%	74	8	1.27%	-	-	-
Aviza	-		-	91	5	1.68%	259	3	4.92%	327	3	5.60%	285	4	4.99%
Nob Hill Foods	-		-	68	10	1.25%	74	9	1.41%	66	9	1.13%	74	8	1.30%
SV Unified School District	-		-	-	-	-	-	-	-	222	4	3.80%	206	5	3.61%
Xyratex International	-		-	-	-	-	-	-	-	140	5	2.40%	290	3	5.08%
Surfcontrol	-		-	-	-	-	-	-	-	-	-	-	179	6	3.13%
Borland Software Corporation	-		-	-	-	-	-	-	-	-	-	-	151	7	2.64%
Rainmaker Systems, Inc.	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Nokia	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,747		34.46%	2,026		37.35%	2,325		44.19%	2,515		43.09%	2,692		47.15%

CITY OF SCOTTS VALLEY
FULL-TIME EQUIVALENT CITY EMPLOYEES
LAST TEN FISCAL YEARS

Table 15

	Fiscal Year									
Function / Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Legislative	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Administration	1.50	1.50	1.50	1.50	1.50	1.10	1.10	1.35	1.25	1.25
Finance	2.85	2.85	3.35	3.35	3.35	4.35	4.35	5.25	5.35	5.35
Police										
Officers	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Dispatch and Support	8.00	8.00	8.00	8.00	8.00	8.50	8.50	9.00	9.00	9.00
Planning	3.00	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
Building	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works										
Engineering	3.10	3.30	3.30	3.30	3.30	3.50	3.50	3.50	3.50	4.00
Street Maintenance	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.00	2.60
Vehicle Maintenance	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.00	1.20
Park Maintenance	1.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	3.00	2.60
Building Maintenance	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.00	1.60
Wastewater Treatment Plant	7.05	7.05	6.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35
Recreation	5.00	5.00	5.00	5.00	6.00	7.00	7.00	7.00	7.00	7.00
Redevelopment/Affordable Housing	-	-	-	-	-	1.90	1.90	1.75	1.75	1.75
Total	57.00	59.70	59.50	60.50	61.50	65.50	65.50	67.00	67.00	68.50

Source: City of Scotts Valley Annual Budget
Full-time equivalent employees are presented net of positions frozen by City Council for budget saving purposes.

CITY OF SCOTTS VALLEY
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Table 16

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency Vehicles	15	15	15	15	15	15	15	15	15	14
Public Works:										
Streets (miles)	35	35	35	35	35	35	35	35	35	35
Streetlights	212	212	212	212	212	212	212	212	212	212
Traffic Signals	16	16	16	16	16	16	16	16	16	16
Senior Center	1	1	1	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1	1	1	1
Wastewater										
Treatment Plant	1	1	1	1	1	1	1	1	1	1
Recreation										
Parks / Playgrounds	6	6	6	6	6	6	6	6	6	6
Soccer Fields	3	3	3	3	3	3	3	3	3	3
Tennis Courts	4	4	4	4	4	4	4	4	4	4

Source: Various City Departments

CITY OF SCOTTS VALLEY
OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Table 17

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Number of Citizen Complaints Received	23	16	9	19	14	15	27	50	34	44
Police										
Calls for Service	15,163	14,504	15,656	15,533	13,732	17,601	16,933	18,481	15,508	15,899
Number of Citations Written	1,193	858	948	1,290	1,299	1,690	1,847	2,435	2,238	1,669
Number of Arrests	509	484	518	540	535	617	427	556	550	500
Planning										
Planning Applications Submitted	112	112	93	81	101	95	75	45	47	113
Lot Line Adjustment Apps Processed	-	-	-	-	-	-	-	1	-	5
Building										
Number of Building Inspections	3,766	3,299	1,373	1,122	727	654	719	880	1,328	2,390
Building Permits Submitted	402	334	332	295	251	233	228	393	332	593
Building Permits Issued	382	334	285	285	227	204	223	253	364	586
Public Works										
Building Permit Applications Processed	58	59	28	25	17	30	27	229	111	120
Encroachment Permits Processed	43	24	25	20	36	31	17	21	19	15
Transportation Permits Processed	67	38	17	55	37	47	45	91	97	78
Sewer Allocations Issued	10	42	17	49	7	1	-	-	9	14
Subdivision Maps Recorded	2	1	4	2	-	3	3	1	2	3
Wastewater Treatment Plant (all amounts in thousands of gallons)										
Total Flow	253,914	288,294	287,580	305,680	325,770	370,691	306,412	326,700	335,767	367,935
Highest Average Daily Flow	865	843	882	1,060	1,113	1,083	1,084	1,185	1,061	1,234
Lowest Average Daily Flow	508	771	707	737	788	725	732	794	858	881

Source: Various City departments

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: December 7, 2016

TO: Honorable Mayor and City Council

FROM: Ken Anderson, City Engineer

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **PARCEL MAP MLD13-001 APPLE/GERALD SMITH JOINT VENTURE MINOR LAND DIVISION APN 024-021-26**

SUMMARY OF ISSUE

On January 21, 2015, City Council approved a subdivision of 4 lots from one existing vacant parcel located on Timber Ridge, MLD 13-001 APN 024-021-26. Staff has reviewed the condition of approval and special mitigation measures and found that all necessary conditions and mitigations have been completed prior to the filing of the map.

FISCAL IMPACT

There is no fiscal impact to the General Fund. Approximately $6552.00 had been collected for Surveyor, Planning and Department of Public Works Parcel Map intake and process to cover applicable City costs.

STAFF RECOMMENDATION

It is recommended that Council approve Resolution No. 1897.2, approving parcel map, MLD13-001, APN 024-021-26.

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RESOLUTION NO. 1897.2

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY APPROVING THE PARCEL MAP FOR APPLE/GERALD SMITH JOINT VENTURE LAND DIVISION MLD13-001 APN 024-021-26

WHEREAS, a parcel map for Apple/Gerald Smith, has been filed with the City Engineer of the City of Scotts Valley; and

WHEREAS, the City Engineer endorses said Map and said Map complies with the provisions of the Government of Cod Section 66410, et. Seq., and with the provisions of Ordinance No. 64 of the City of Scotts Valley:

NOW, **THEREFORE, BE IT RESOLVED AND ORDERED** as follows:

1. That the City Council of the City of Scotts Valley hereby finds that the proposed subdivision, together with the provisions of its design and improvement, is in conformance with the parcel map conditions..
2. That the parcel map, MLD13-001 on Timber Ridge is hereby approved subject to the following conditions:

   All conditions are met.

The above and foregoing Resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a regular meeting held on the 7th day of December, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: ______________________________
Donna R. Lind, Mayor

Attest: ______________________________
Tracy Ferrara, City Clerk

CITY OF SCOTTS VALLEY

PLANNING DEPARTMENT
One Civic Center Drive • Scotts Valley • California • 95066
Phone (831) 440-5630 • Facsimile (831) 438-2793 • www.scottsvalley.org

City Council Public Hearing Notice on a Proposed Project

Project Title: "Dunslee Way" Planned Development

Project Location: Corner of Scotts Valley Drive & Dunslee Way, Scotts Valley, CA 95066 (No address; property is a vacant lot) APN 022-451-01

Requested Planning Permits:

Mitigated Negative Declaration	MND15-002
General Plan Amendment	GPA15-003
Zone Change	ZC15-003
Planned Development & Permits	PD15-002
Land Division	LD15-002
Design Review	DR15-004

Description of Project: Consideration of City Council review of Planning Commission recommendation to certify a Mitigated Negative Declaration and approve a General Plan Amendment, Zone Change, Planned Development, Land Division, Design Review, and Parks & Recreation Commission findings for park in-lieu fees to build a commercial building (5,000 sq. ft.), 25 townhouses, and related property improvements on approx. 3 + acres of the vacant 10+ acre property, which is zoned for commercial-service and low- density and rural residential uses. In mostly 3-story buildings, the 3- & 4-bedroom townhouses will have 1,342 to 2,233 square feet of living space and 2-car garage.

Environmental Effects Analyzed: The application is subject to the California Environmental Quality Act (CEQA) and the CEQA Guidelines. A Mitigated Negative Declaration (MND) has been prepared in accordance with the provisions of the California Environmental Quality Act of 1970, as set forth in the Public Resources Code, Sections 21000 et seq., as amended. The MND identified potentially significant effects associated with: air quality, biological resources, cultural resources, geology & soils, hydrology & water quality, and noise, and ways to reduce them to less than significant levels.

Lead Agency: City of Scotts Valley

Contact Person: Michelle Edwards, Senior Planner at (831) 440-5632 or medwards@scottsvalley.org

Address where documents may be reviewed: City of Scotts Valley City Hall, Planning Department, One Civic Center Dr., Scotts Valley, CA 95066, (831) 440-5630, and on the City's website at http://www.scottsvalley.org/planning/Enterprise_Way.html

Public Hearing:	**Planning Commission**	**City Council**
Date:	*(Occurred November 17, 2016)*	Wednesday, December 7, 2016
Time:		6:30 p.m.
Location:		City Council Chambers One Civic Center Dr., Scotts Valley

Anyone interested in this matter is invited to comment on the document by written response or by personal appearance at the hearing.

Please Note: All interested persons are invited to attend the foregoing Public Hearing or send their written comments to City Hall Planning Dept, One Civic Center Drive, Scotts Valley, CA 95066. The above files are available for review in the Planning Department at City Hall, One Civic Center Drive, Scotts Valley Monday-Thursday between the hours of 8:00am-12:00 p.m., or by appointment by calling (831) 440-5630.

Warning Notice: If you challenge the above applications in court, you may be limited to raising only those issues you or someone else raised at the Public Hearing described in this Notice or in written correspondence delivered to the City of Scotts Valley (One Civic Center Drive, Scotts Valley) at, or prior to, the close of hearing. Any challenge in court must be commenced within ninety (90) days of the decision, as required by section 1094.6 of the California Code of Civil Procedure.

Assistance: The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend this meeting and you will require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate in the meeting, please call the City Clerk's office at 440-5602 at least 5 to 7 days in advance of the meeting to make arrangements for assistance. The California State Relay Service (TDD to voice:1-800-735-2929, voice to TDD:1-800-735-2922) provides Telecommunications Devices for the Deaf (TDD) and will provide a link between the TDD caller and users of regular telephone equipment.

By: Michelle Edwards

Michelle Edwards, Senior Planner, 11/23/16
Posted at: City Hall, Scotts Valley Sr. Center, Scotts Valley Branch Library 11/23/16
Mailed to property owners located within 300-feet 11/23/16

Copy: Scotts Valley City Council
Scotts Valley Management
Scotts Valley Unified School District
Scotts Valley Fire Protection District
Scotts Valley Water District

City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: December 7, 2016

TO: Honorable Mayor and Members of the City Council

FROM: Michelle Edwards, Senior Planner

APPROVED: Taylor Bateman, Acting Community Development Director

SUBJECT: **CONSIDERATION OF PLANNING COMMISSION RECOMMENDATION TO APPROVE THE PROPOSED "DUNSLEE WAY" PLANNED DEVELOPMENT, CONSISTING OF A MITIGATED NEGATIVE DECLARATION AND PLANNING PERMITS TO BUILD A 5,000 SQUARE-FOOT COMMERCIAL BUILDING AND 25 TOWNHOUSES ON A VACANT PARCEL AT THE CORNER OF SCOTTS VALLEY DRIVE AND DUNSLEE WAY / APN 022-451-01**

SUMMARY OF ISSUE

On a vacant 10.41-acre parcel, the applicant proposes to build a one-story commercial building (5,000 square feet), 25 townhouses, and related property improvements. In mostly three-story buildings, townhouse floor areas will range between 1,100 to 1,900 square feet with three to four bedrooms plus a 2-car garage. The applicant proposes to first build 12 townhouses then the commercial building. Condition #10 provides details of the proposed phasing of project construction.

A Mitigated Negative Declaration (MND) was prepared for the proposed project to analyze potential project impacts and identify mitigation measures in accordance with California Environmental Quality Act (CEQA) Statutes and Guidelines. The City has received three (3) letters/emails from property owners and residents and one (1) phone call. Topics discussed and staff responses are attached to this report.

On November 17, 2016, the Planning Commission held a public hearing to consider the proposed project. After holding the hearing and taking public testimony, they recommended City Council approval, in a 4/0/1 vote with four votes in favor. (One Commissioner was absent with cause.)

The next step is for the City Council to conduct a public hearing, take public testimony, review the Mitigated Negative Declaration, planning permit applications, and Parks & Recreation findings for in-lieu fees, subject to the attached mitigation measures and conditions.

REQUESTED PLANNING PERMITS

The project requires the following planning permits (also known as entitlements):

- Mitigated Negative Declaration - evaluates potential environmental impacts;
- General Plan Amendment - changes some of the General Plan Land Use Designations from Service-Commercial to High-Density Residential, from Low-density Residential to High-Density Residential, and from Rural Residential to Open Space;
- Zone Change - changes some of the C-S zone to C-S/PD, R-1-20 zone to R-H/PD, and R-R-2.5 zone to OS/PD;
- Planned Development District Overlay and Permit - allows tailored development standards to fit constraints of the property and needs of the project;
- Land Division - subdivides the subject parcel into smaller lots; and,
- Design Review - evaluates the architecture and related site improvements.

Please refer to the attached Planning Commission Staff Report dated November 17, 2016, for the following topics:

- Project description details;
- Consistency with the City's General Plan and Zoning Ordinance; and,
- Design Review.

DISCUSSION

1. **Planning Commission Action:** At the November 17, 2016, five (5) individuals and one (1) organization spoke on the project. Comments included, but were not limited to, the following topics:

- Affordable Housing: An affordable housing organization supported the project and requested low-income level (80% of area median) for the three (3) proposed restricted units;
- Road: Residents thought the Project Homeowners Association (HOA) should pay for road improvements and maintenance, not existing residents on Dunslee Way. An individual supported the project because it will upgrade Dunslee Way;
- Parking: Individuals gave general support with some concern about providing enough parking for project residences and guests;
- Townhouse Design: An individual requested consideration for one-level flats to allow people to "age in place";
- Traffic: An individual expressed concern about existing traffic on Mt. Hermon Road, gridlock, and road rage; and,
- Water: Two individuals expressed concern about adequate water availability.

From a CEQA perspective, the expressed and written comments do not present new impacts which require further environmental review. The Mitigated Negative Declaration identified potentially significant effects associated with: air quality, biological resources, cultural resources, geology & soils, hazards during construction, hydrology, and noise during construction. However, implementing the recommended mitigation measures will reduce all of these impacts to less than significant levels.

The Planning Commission recommended approval to the City Council with:

- Amended Conditions (#10 Construction Phasing, #14 Parking Easement, #22 Clarify Biotic Notification, and #56 Delete/Allow an Old Foundation for Yoga Area);

- Amended Condition #5 to prohibit a restaurant use in the commercial building to ensure adequate residential overflow parking in the commercial parking lot;

- Approval of the required findings for Parks & Recreation in-lieu fees; and,

- Strong recommendation to require the Project HOA to pay for maintenance of the improved street in perpetuity.

2. **<u>Road:</u>** The existing street was offered for dedication as part of two subdivisions. The straight roadway was a part of the Parcel Map for Charles Ronald Roberson approved in April 1979. The cul-de-sac was part of Parcel Map of the Lands of Wilson, Seadler & Dyer approved in November 1989. These roadways were offered for dedication but not accepted at the time of approval. These offers were irrevocable which means that under the Subdivision Map Act and the City Municipal Code, the City can accept them at any time. In general, the City has not accepted offers of road dedications because of budget constraints to maintain them, and those streets have remained as privately owned and maintained such as Dunslee Way.

   Also in 1979, the City required but did not accept a 23-feet wide right-of-way on the subject property for possible future development. The applicant proposes to dedicate this right-of-way to the City and pay/improve the whole street to City standards. Three options to cover costs of maintaining the street were explored; see Planning Commission Staff Report dated November 17, 2016, for details. Speakers at the public hearing and the Planning Commission recommended the first option of Dunslee Way becoming a public street (City accepts the dedications and owns the street); but, project residents will pay for its continued maintenance in perpetuity.

3. **<u>Parking:</u>** For new housing units in the R-H zone, the City's Municipal Code requires two (2) covered or uncovered parking spaces per unit, plus one additional space for every five (5) units. Therefore, the required parking for the proposed 25 townhouses is 55 covered or uncovered spaces located on the subject property, per City Municipal Code Section 17.44.030F.

Proposed parking consists of the following:

- <u>On-Site (66 spaces):</u> Each townhouse will have a 2-car garage without a driveway (21 interior feet x 21 interior feet) which provides 50 spaces, plus 16 uncovered surface spaces. The proposed 66 spaces exceed the minimum 55 spaces required.

- <u>Street (8 spaces):</u> Proposed street improvements will provide eight (8) public parking spaces. Currently, some of the existing residents on Dunslee Way park on the subject property.

- <u>Near Cul-de-sac (3 spaces):</u> An easement over the three (3) spaces near Building 1 will also be public parking.

- <u>Overflow in Commercial Parking Lot (9 out of 32 spaces):</u> In the past 8 years, the City has approved similarly-designed subdivisions with varying parking and requirements (e.g., restrictions on number of cars per unit, parking easements on adjacent commercial parcels, etc.) via the Planned Development process, to meet the needs of individual projects.

  To address the drain on City and Police Department resources in handling the high amount of parking complaints and disputes, the applicant has offered a parking easement to allow guests of project residents to park on nine (9) parking spaces on the adjacent proposed commercial lot, after typical business hours to be determined. This would provide one (1) guest parking space per townhouse, in aggregate on-site and off-site. Additionally, the applicant proposes to restrict the use to office and/or retail and prohibit a restaurant, to facilitate after hour parking.

4. **<u>Parks & Recreation Commission Action:</u>** On November 17, 2016, the Parks and Recreation Commission discussed the proposed dedication of land for park and recreational purposes. The Commission took action to approve the required findings that the proposed project meets the conditions for offering private open space for park, recreation, and open space purposes pursuant to the City's Municipal Code, Title 16, Chapter 16.35.

   Although the Commission approved the staff recommendation, it came with a strong recommendation that the project install an adequate play structure area to accommodate family needs. The Commission felt that if the developer is going to dedicate land, in lieu of fees, for park and recreation purposes to offset that need in public parks, then the development should include a play area for children.

5. **<u>Affordable Housing Subcommittee:</u>** Title 14 of the City's Municipal Code governs the affordable housing requirements for new residential projects. The project site is located within the City's Redevelopment Plan Area, which requires at least 15% of the housing units to be designated as affordable units. Therefore, of the proposed 25 units, the project is required to provide three (3) units and pay in-lieu fees of 0.75 of a unit.

The sale and resale prices are restricted over a 55-year period to provide housing opportunities to qualifying first-time-buyer households. The income-levels of the units require review and recommendation by the City Council Affordable Housing Subcommittee.

At a posted meeting on November 29, 2016, the Affordable Housing Subcommittee convened. Council Member Stephany Aguilar, the applicant, and City staff were present. The applicant proposed to provide three (3) moderate-income units (120% or area median) and pay the required in-lieu fees (estimated at $41,152.88).

There was not a Subcommittee quorum; therefore, Council Member Aguilar recommendations are being forwarded to the City Council for consideration. To meet the City's obligation of providing its share of low-income units (80% of area median), the applicant should provide one (1) moderate-income and one (1) low-income unit and use the in-lieu fees to help buy-down the third unit into a low-income unit, for a total of one (1) moderate and two (2) lows. To achieve this end, Council Member Aguilar said that she would explore the possibility of using anticipated incoming monies to the City's Affordable Housing fund to help further buy-down the third unit.

PUBLIC NOTICE AND COMMENT

On November 22, 2016, public hearing notices were posted at City Hall, the Scotts Valley Senior Center, and the Scotts Valley Branch Public Library, and were mailed to surrounding property owners located within 300 feet from the subject property, pursuant to State law and the City's Municipal Code. Any new communication received will be provided to the City Council and public at the public hearing on December 7, 2016.

FISCAL IMPACT

The proposed residences are not expected to have a significant fiscal impact to the City. The homeowners association is required to manage and maintain the internal private streets, drainage/hydrology systems, and recycled water system plus pay for the maintenance of the new public street of Dunslee Way. The total estimated cost to maintain the new public street is $5,377 per year in perpetuity ($17.93 per month per unit), with annual increases for inflation using the consumer price index. Homeowners through the HOA will be required to fund the maintenance of the new public street. The commercial building might provide sales tax revenue if there is retail use(s).

RECOMMENDATION

The Planning Commission recommends that the City Council:

1. Certify the Mitigated Negative Declaration, subject to the Mitigation Monitoring and Reporting Program;

2. Approve the planning permits, subject to General Plan Land Use Designation Map, Zone Change Map, and Conditions of Approval by adopting the attached resolutions and ordinance;

3. Approve the Parks & Recreation findings for in-lieu fees; and,

4. Approve the income levels of the required three (3) affordable housing units, such as low-income (80% of area median) and/or moderate-income (120% of the area median).

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* *Please note that a hard-copy is available to review in the lobby at City Hall, Monday-Thursday 8AM-12PM and 1PM-5PM, at One Civic Center Drive, Scotts Valley. An digital copy is also available on the City's website at the link below:*

http://www.scottsvalley.org/planning/Dunslee_Way_Planned%20Development.html

Please call the City at (831) 440-5630 if you have any questions.

RESOLUTION NO. 1928

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY CERTIFYING MITIGATED NEGATIVE DECLARATION MND15-002 FOR THE “DUNSLEE WAY” PLANNED DEVELOPMENT CONSISTING OF A 5,000 SQUARE FOOT COMMERCIAL BUILDING, 25 TOWNHOUSES, AND RELATED PROPERTY IMPROVEMENTS, SUBJECT TO MITIGATION MEASURES ON A VACANT PARCEL LOCATED ON SCOTTS VALLEY DRIVE AT DUNSLEE WAY / APN 022-451-01

WHEREAS, the City of Scotts Valley has received an application and technical reports from Corbett Wright (referred to as the “applicant”) on behalf of property owners Marlyn Bergman and Scott Norton, to subdivide the parcel for a commercial, high-density residential, and open space development and related property improvements on a vacant 10.41-acre parcel on Scotts Valley Drive at the corner of Dunslee Way, as shown on project plans on file with the Planning Department / APN 022-451-01; and

WHEREAS, the applicant has presented substantial evidence which supports the application; and

WHEREAS, the application is a “project” pursuant to the California Environmental Quality Act (“CEQA”), which requires the preparation and certification of an Environmental Impact Report in accordance with the requirements of the California Environmental Quality Act (“CEQA”) and

WHEREAS, the City conducted an Initial Study and prepared a Mitigated Negative Declaration (IS/MND), in accordance with the State CEQA Guidelines and requirements. The IS/MND was duly noticed, published, and distributed for a 20-day public review period from October 11-31, 2016 (5:00PM), and was made available for public review at City Hall, Planning Department, and City’s website. A public notice of the availability of this document was provided pursuant to the requirements of CEQA; and

WHEREAS, the project, as mitigated, is determined to not have a significant impact on the environment based upon the results of the environmental assessment; and

WHEREAS, the Planning Commission held a duly published and noticed special public hearing on November 17, 2016, to review and consider the proposed development and the requested planning permits (entitlements), hear public testimony, and recommended approval of the proposed project to the City Council, subject to amended mitigation measures and conditions of approval; and

WHEREAS, the City Council held a duly published and noticed public hearing on December 7, 2016, pursuant to the requirements of the Scotts Valley Municipal Code and State Law, to consider the Mitigated Negative Declaration and all other information in the record including, but not limited to, public testimony; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley does hereby approve and certify Mitigated Negative Declaration MND15-002 as further discussed in the City Council staff report dated December 7, 2016, as follows:

SECTION 1: The environmental determination represents the independent judgement of the City.

SECTION 2: The project is subject to the Mitigation Monitoring and Reporting Program in Exhibit A attached hereto and incorporated herein, based on the following findings pursuant to CEQA and the CEQA Guidelines Section 15091:

A. An initial study has been prepared by the City of Scotts Valley to evaluate the potential for adverse environmental impacts. City staff conducted an Initial Study for the project and prepared a Mitigated Negative Declaration to reduce potential adverse environmental impacts to less than significant levels.

B. The Mitigated Negative Declaration for the project has been completed in compliance with the California Environmental Quality Act (CEQA). The Mitigated Negative Declaration was completed in compliance with CEQA, was published and distributed to the applicable agencies, and was made available for public review for a 20-day period from October 11-31, 2016 by 5:00PM.

C. All mitigation measures identified in the Mitigated Negative Declaration are included in this resolution certifying the Mitigated Negative Declaration and will be made conditions of approval of a future development that requires review and approval by the City. The Mitigation Measures are listed Exhibit A, attached hereto as, and incorporated herein by this reference.

D. The City has prepared a program to report on and monitor changes made to the project in order to mitigate or avoid significant effects on the environment. A Mitigation Monitoring Reporting Program will be prepared for when the City Council reviews the proposed project. The MMRP will identify the responsible monitoring and reporting parties. The MMRP will ensure compliance of the mitigation measures during future project implementation and provide the timing for implementation.

E. The environmental determination represents the independent judgement of the City. The Mitigated Negative Declaration was prepared by City staff. All reports and supporting information have been reviewed and approved by the applicable City Department Heads.

F. The documents and other materials constituting the record of the proceedings upon which the City's decision and its findings are based will be located at the Department of Planning of the City of Scotts Valley in the custody of the Community Development Director. Copies of the Mitigated Negative Declaration and the referenced technical and/or environmental studies that were submitted for the project have been made available to the public for review at City Hall, the Planning Department, and the City's website. A public notice of the availability of this document was provided pursuant to the requirements of CEQA.

G. ***Based on the Initial Study and when considering the record as a whole, there is no evidence before the City of Scotts Valley, including the information in the Mitigated Negative Declaration and comments of appropriate reviewing agencies, to indicate that the proposed project could have any potential for an adverse effect on fish and wildlife resources or the habitat upon which it depends.*** The technical/environmental studies conducted for the proposed project identified potential impacts. Mitigation Measures will reduce potential impacts to Air Quality Biological Resources, Cultural Resources, Geology and Soils, Hazards and Hazardous Materials, Hydrology and Water Quality, and Noise to less than significant. After mitigation, project impacts considered alone or in combination will not be significant. This project does not have the potential to significantly degrade the quality of the environment, including effects on animals or plants.

NOW THEREFORE, BE IT FURTHER RESOLVED that, after careful consideration of the application and related materials, plans, maps, facts, exhibits, staff report, testimony and other evidence submitted in this matter, and incorporated herein by this reference, the City Council certifies Mitigated Negative Declaration MND15-002 for the "Dunslee Way" Planned Development on the subject vacant 10.41-acre property on Scotts Valley Drive at Dunslee Way / APN 022-451-01, subject to the Mitigation Monitoring and Reporting Program in Exhibit A which is attached hereto and incorporated herein by this reference.

THE ABOVE AND FOREGOING RESOLUTION NO. 1928 was duly and regularly passed by the City Council of the City of Scotts Valley at a meeting held on the 7th day of December, 2016, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

____
Donna R. Lind, Mayor

Attest: ____________________________
Tracy Ferrara, City Clerk

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
1	**Air Quality AQ-1 - Control Dust.** To reduce dust generation from project grading and construction to minimal levels, the project proponent shall require the grading contractor to implement best management practices (BMPs) for dust control, including watering down exposed earth surfaces each non-rainfall day at intervals that attenuate dust problems. Any dirt tracked on to Scotts Valley Drive shall be removed daily in a manner that does not create substantial airborne dust. The following BMPs shall be included in the construction contract for the project and be implemented during site grading: a. Excavation of the site shall be done in phases by grading only those areas where immediate activity will take place, leaving the remaining areas in their original condition with ground cover; b. A water truck, using recycled water, shall be available on a repeated basis each day throughout the grading phase of the project to spray exposed earth surfaces; c. In addition to regular water spraying, a biodegradable chemical pallative shall be sprayed on any graded areas that will remain exposed without additional grading for three or more days in succession; d. The site entrance shall be base rocked to avoid or minimize tracking mud on Scotts Valley Drive by construction vehicles; e. The segment of Scotts Valley Drive along the project frontage shall be mechanically swept at the end of each work day when any dirt or mud has been tracked on the street; f. No grading activities shall occur during days of high wind velocity; g. Finished graded areas that are designated as open space	Project Grading Contractor + Project Contractor	Throughout construc-tion	Building Official	BO shall observe practices during routine inspections. If problems are observed, developer/contractor shall correct them to the satisfaction of the City in a timely manner.	

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
	and landscape areas of project, shall be covered with an accepted erosion control substance such as straw mulch or hydromulch with a tackifier; and h. Construction staff shall monitor daily all areas that have received a chemical pallative spray or application of mulch to determine if these areas remain in a dust-free condition and take corrective action as needed to maintain a dust-free environment.					
2	**Biological Resources BIO-1 - Protect Trees.** The developer shall implement all measures contained within the arborist report for the protection of existing trees to remain, including but not limited to the required procedures and sequence, required tree replacement, tree preservation and protection, and appraised value of preserved trees in the report. No landscaping is permitted under any oak trees.	Project Certified Arborist plus City Arborist or only the City Arborist	Before IP and/or grading permit issuance and/or tree removal	Arborist + Staff Planner	Developer shall provide staff with a copy of contract with Arborist who shall keep a log of observations during routine inspections of project construction and document major issues with photographs and inspection log entries. If problems are observed, Arborist shall inform developer and Project Contractor with solutions. Reinspection costs to determine if the corrective actions are adequate shall be borne by the developer.	

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
3	**Biological Resources BIO-2 - Protect Creek.** Erosion control measures shall be in place prior to project grading to prevent inadvertent impacts to the intermittent creek. The project engineer shall stake the outer edge of the 25 feet top-of-bank creek with orange construction fencing and place silt fencing along the line prior to any site disturbance. Both fencings shall be retained in a functional condition until all construction is completed on site as determined by the City. After project construction is completed, fencing may need to be removed to install the stormwater retention basins within the 25-foot setback.	Project Civil Engineer + Grading Contractor + Project Contractor	Before IP and/or grading permit issuance and/or tree removal	Building Official + Staff Planner	Developer shall show limits of grading on IP/grading plans. BO shall inspect fencings and observe their condition during routine inspections. If problems are observed, developer/ contractor shall correct them to the satisfaction of the City in a timely manner.	
4	**Biological Resources BIO-3 - Protect Potential Nesting Birds.** To avoid impacting nesting raptors or passerine species, the project developer shall schedule all construction outside of the nesting season between February 1 to July 31 of any given year. If this is not practical, then have a qualified biologist conduct a preconstruction survey for nesting birds no earlier than 30 days prior to commencement of construction. If any active bird nests are found within 50 feet of the work area for passerines, or 100 feet for raptors, either create a suitable buffer zone or postpone construction until the biologist has determined that all young have fledged.	Project Biologist	Before IP and/or grading permit issuance and/or tree removal	Project Biologist + Staff Planner	Biologist shall submit survey(s) to City. Developer shall complete all recommendations from Biologist.	
5	**Biological Resources BIO-4 - Protect Potential Bats.** To avoid harm or loss of the pallid bat, a qualified wildlife biologist or bat ecologist, under contract to the project developer, shall conduct pre-construction surveys, no more than 30 days before any vegetation removal, to determine if any roosting bats are present on the site. If any are present, the biologist/ecologist shall recommend measures to prevent disturbance to sensitive bat species, such as pallid bats, during vegetation removal and construction.	Project Biologist	Before IP and/or grading permit issuance and/or tree removal	Staff Planner	Biologist shall submit survey(s) to City. Developer shall complete all recommendations from Biologist.	

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
6	**Cultural Resources CUL-1 - Monitor Archaeological Resources.** To ensure that archaeological resources are not destroyed if accidently discovered during project grading or other subsurface work, the developer shall submit a copy of a contract with a qualified/registered archaeologist to conduct monitoring of all earth disturbing activities for review and approval by the Community Development Director, before grading permit issuance. The developer shall include this requirement in the contract for all contractors involved with grading and subsurface work. The qualified/registered archaeologist shall monitor all earthwork activity as described below. a. An archaeologist shall monitor the widening of the existing traveled gravel road, grading or excavation of soils at the development site in order to determine if important cultural remains are present. Such monitoring shall begin before and occur during subsurface earth moving activities; b. The duration and period of archaeological monitoring of project development activities shall be at the discretion of the professional archaeologist. At a minimum, however, any activity that initially displaces or removes original soil from its present context shall be monitored by an archaeologist on a continuous basis; c. Monitoring activities such as replacing soils in trenches, redistributing displaced soil elsewhere on the development site, or removing stockpiled excavated soil may not require monitoring; d. Monitoring may include the periodic sampling and screening of soils in order to better determine if cultural remains are present; and, e. If any cultural resources are discovered, the project contractor shall immediately stop all earth disturbing work within a 150 foot radius of the discovery to allow for	Project Archaeo-logist + Grading Contractor + Project Contractor	Before IP and/or grading permit issuance and/or tree removal	Staff Planner	Developer shall provide staff with a copy of construction contract showing monitoring of all earthwork by a qualified archaeologist, who shall document monitoring activities in an inspection log and provide final copy to City for project file. If problems are observed, archaeologist shall immediately inform the developer and Project Contractor and recommend solutions that comply with state and City regulations to be implemented in a timely manner.	

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
	inspection, evaluation, and potential recovery of resources by the supervising project archaeologist, before resuming any earth-disturbing construction activities. The developer shall also contact the Planning Department and Building Official as soon as work has been stopped. It may be necessary to resume grading or excavation activities under the direction of the supervising archaeologist in order to locate or expose cultural remains.					
7	**Cultural Resources CUL-2 - Monitor Paleontological Resources.** To ensure that paleontological resources are not destroyed during project grading, the project proponent will include the following measures: a. Provide the project paleontologist with a copy of the final grading plans for review prior to any project grading; b. Provide for daily monitoring during grading activities by the project paleontologist to determine if paleontological resources are encountered in excavated areas; c. Allow for the recovery of any discovered paleontological resources according to a recovery plan/methods specified by the project paleontologist, including the donation of the recovered resources to a suitable repository (museum, school, etc.); d. If recovery occurs, ensure that the project paleontologist prepare a recovery report that details the type of resources recovered and the repository locations where they were taken; and, e. Specify in the construction contract with the project grading contractor(s), that grading personnel are to cooperate with and assist the project paleontologist during monitoring and any recovery activities, including assisting with recovery efforts if necessary.	Project Paleonto-logist + Grading Contractor + Project Contractor	Before IP and/or grading permit issuance and/or tree removal	Staff Planner	Developer shall provide staff with a copy of construction contract showing monitoring of all earthwork by a qualified paleontologist, who shall document monitoring activities in an inspection log and provide final copy to City for project file. If problems are observed, paleontologist shall immediately inform the developer and Project Contractor and recommend solutions that comply with state and City regulations to be implemented in a timely manner.	
8	**Geology GEO-1 - Design for Seismic Shaking.** To reduce	Project	Before	Building	Building Official (BO) shall	

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
	the effects of seismic shaking to acceptable levels, the project proponent shall have all dwellings and commercial building designed California Building Code standards for the design level earthquake for the area. The design details shall be provided on the building plans submitted to the City for a Building Permit application for each dwelling.	Geotechnical Consultant	building permit issuance for vertical con-struction	Official	review plans for conformance with seismic requirements and provide plan check comments for any inadequacies. Developer shall submit revised plans to address inadequacies before building permit issuance. During construction, BO or designee shall inspect buildings to ensure seismic items are built correctly.	
9	**Hazards HAZ-1.** Implement Mitigation Measures AQ-1 and HYD-1.	See Mitigation Measures #1 (above) and #10 (below).				
10	**Hydrology HYD-1 - Prevent Sedimentation.** To prevent sedimentation and discharge of contaminants off-site during project construction, the project developer shall have the construction contractor implement a best management practice/hazardous materials containment plan during the entire time construction activities are occurring. The hazardous materials containment plan shall be approved by City Planning staff prior to commencement of land alteration and construction activities for the project. It shall contain the following elements: a. Stationary equipment such at motors, pumps, welding equipment shall be placed over drip pans or other containment apparatus; b. Construction materials shall not be stockpiled or stored	Project Grading Contractor + Project Contractor	Before IP and/or grading permit issuance and/or tree removal	Building Official	BO shall observe practices during routine inspections. If there are problems, the developer/contractor shall correct them to the satisfaction of the City in a timely manner.	

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
	where they could be accidently discharged downslope or in to Scotts Valley Drive; and, c. Any petroleum, lubricants or other hazardous materials used during; and, construction shall be stored in a special storage location equipped with double containment and this location shall be shown on the erosion control plan and approved by the agencies that review this plan.					
11	**Hydrology HYD-2 - Explore Ground Water Infiltration.** To off-set the potential loss of groundwater infiltration, the project developer shall explore low impact development techniques (such as infiltration pits) within the project area for review and approval by the City and Scotts Valley Water District, before issuance of a grading permit or earthwork on site.	Developer + Project Civil Engineer + Project Landscape Architect	Before IP and/or grading permit issuance and/or tree removal	Staff Planner + SVWD	Before submitting grading/ Improvement Plans, developer shall submit proposed LID features and locations for City and SVWD review and approval. Approved LID features shall be included in the appropriate plans.	
12	**Hydrology HYD-3 - Maintain Drainage Systems.** To prevent drainage problems related to the lack of proper maintenance of privately owned and operated drainage facilities on the site, the project CC&R's shall include regular maintenance and funding of the facilities, and shall be submitted to the City for review and approval prior to approval and recordation of the Final Map. The CC&RS shall include the following: a. Adequate funding by each homeowner on an equal basis for the regular maintenance of the common-owned drainage facilities and any other drainage improvements not owned by the City; b. Regular monitoring inspection, at least annually in the spring or summer, by qualified professionals with drainage engineering (such as civil engineer, erosion control	Developer	Before IP and/or grading permit issuance and/or tree removal	Staff Planner + Public Works Director	n/a	

Mit Meas #	Mitigation Measure	Person responsible to implement Mitigation Measure	When to implement Mitigation Measure	Person responsible to confirm compliance	Monitoring and reporting, and if applicable, remediation if success standards in Mitigation Measures are not met	City staff to initial and date when complete
	specialist) shall assess the functional capability of the drainage improvements and to provide recommendations for repairs and maintenance; and, c. Maintenance of the drainage facilities by a qualified professional in accordance with the recommendations of the monitoring inspections.					
13	**Noise - Minimize Construction Noise.** To reduce construction noise emanating beyond the site to acceptable levels, the project developer shall: a. Require all contractors to limit their work to 8:00AM to 5:00PM weekdays only, ~~not~~ ***and only quiet interior finishing activities (e.g. painting, chalking, etc.) or exterior landscaping with no noise producing equipment*** on Saturdays. b. If gasoline generators are used, they shall be contained in an enclosure that prevents their noise from being heard at properties south of the project site. c. Include this requirement in all construction contracts for grading and building construction on the site.	Project Grading Contractor + Project Contractor	Through-out con-struction	Building Official	BO shall observe practices during routine inspections. If problems are observed, developer/contractor shall correct them to the satisfaction of the City in a timely manner. BO shall reinspect site within 24 hours to determine if the problem has been successfully corrected during construction activities.	
End of MMRP						

RESOLUTION NO. 1928.1

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY APPROVING GENERAL PLAN AMENDMENT GPA15-003 TO CHANGE THE GENERAL PLAN LAND USE DESIGNATIONS FROM SERVICE-COMMERCIAL TO HIGH-DENSITY RESIDENTIAL, FROM LOW-DENSITY RESIDENTIAL TO HIGH-DENSITY RESIDENTIAL, AND FROM RURAL RESIDENTIAL TO OPEN SPACE FOR THE "DUNSLEE WAY" PLANNED DEVELOPMENT CONSISTING OF A 5,000 SQUARE FOOT COMMERCIAL BUILDING, 25 TOWNHOUSES, AND RELATED PROPERTY IMPROVEMENTS, SUBJECT TO THE GENERAL PLAN LAND USE MAP FOR A VACANT PARCEL LOCATED ON SCOTTS VALLEY DRIVE AT DUNSLEE WAY / APN 022-451-01

WHEREAS, the City of Scotts Valley has received an application and technical reports from Corbett Wright (referred to as the "applicant") on behalf of property owners Marlyn Bergman and Scott Norton, to subdivide the parcel for a commercial, high-density residential, and open space development and related property improvements on a vacant 10.41-acre parcel on Scotts Valley Drive at the corner of Dunslee Way, as shown on project plans on file with the Planning Department / APN 022-451-01; and

WHEREAS, the applicant has presented substantial evidence which supports the application; and

WHEREAS, the application is a "project" pursuant to the California Environmental Quality Act ("CEQA"), which requires the preparation and certification of an Environmental Impact Report in accordance with the requirements of the California Environmental Quality Act ("CEQA") and

WHEREAS, the City conducted an Initial Study and prepared a Mitigated Negative Declaration (IS/MND), in accordance with the State CEQA Guidelines and requirements. The IS/MND was duly noticed, published, and distributed for a 20-day public review period from October 11-31, 2016 (5:00PM), and was made available for public review at City Hall, Planning Department, and City's website. A public notice of the availability of this document was provided pursuant to the requirements of CEQA; and

WHEREAS, the project, as mitigated, is determined to not have a significant impact on the environment based upon the results of the environmental assessment; and

WHEREAS, the Planning Commission held a duly published and noticed special public hearing on November 17, 2016, to review and consider the proposed development and the requested planning permits (entitlements), hear public testimony, and recommended approval of the proposed project to the City Council, subject to amended mitigation measures and conditions of approval; and

WHEREAS, the City Council held a duly published and noticed public hearing on December 7, 2016, pursuant to the requirements of the Scotts Valley Municipal Code and State Law, to review and consider the Mitigated Negative Declaration, planning permit applications, and all other information in the record including, but not limited to, public testimony, and certified the Mitigated Negative Declaration and approved a Mitigation Monitoring and Reporting Program for the project in Resolution No. 1928; and,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley hereby approves, as further discussed in the City Council staff report dated December 7, 2016, as follows:

SECTION 1: Approve General Plan Amendment GPA15-003 based on the following findings, subject to the attached Proposed General Plan Designation map, referenced hereto and incorporated herein in Exhibit A:

A. ***The change in the General Plan land use designations are consistent with the General Plan.*** The project meets the requirements of this finding in that the project will change the existing General Plan Land Use Designation from some Service-Commercial to High-Density Residential, from Low-density Residential to High-Density Residential, and from Rural Residential to Open Space.

The proposed land use designations are the appropriate designations for the commercial building, townhouses, and open area to be retained as open space for possible trail systems or held as natural habitats or scenic view sheds.

B. ***That the density is compatible with adjacent uses and densities.*** The project meets the requirements of this finding in that the project will apply traditional zoning practices which designate R-H as an appropriate transition and buffer between the adjacent C-S and less dense residential zones.

Project density will be 25 townhouses/2.35 acres of residential development area, which is 10.64 housing units/acre. Therefore, the project will be consistent with the High-density Residential land use designation of 9-15 housing units/acre.

NOW THEREFORE, BE IT FURTHER RESOLVED that, after careful consideration of the application and related materials, plans, maps, facts, exhibits, staff report, testimony and other evidence submitted in this matter, and incorporated herein by this reference, the City Council approves General Plan Amendment GPA15-003 to change land use designations on the subject vacant 10.41-acre property located on Scotts Valley Drive at Dunslee Way / APN 022-451-01, subject to the General Plan Amendment Map in Exhibit A, attached hereto and incorporated herein.

THE ABOVE AND FOREGOING RESOLUTION NO. 1928.1 was duly and regularly passed by the City Council of the City of Scotts Valley at a meeting held on the 7th day of December, 2016, by the following vote:

AYES:

NOES:

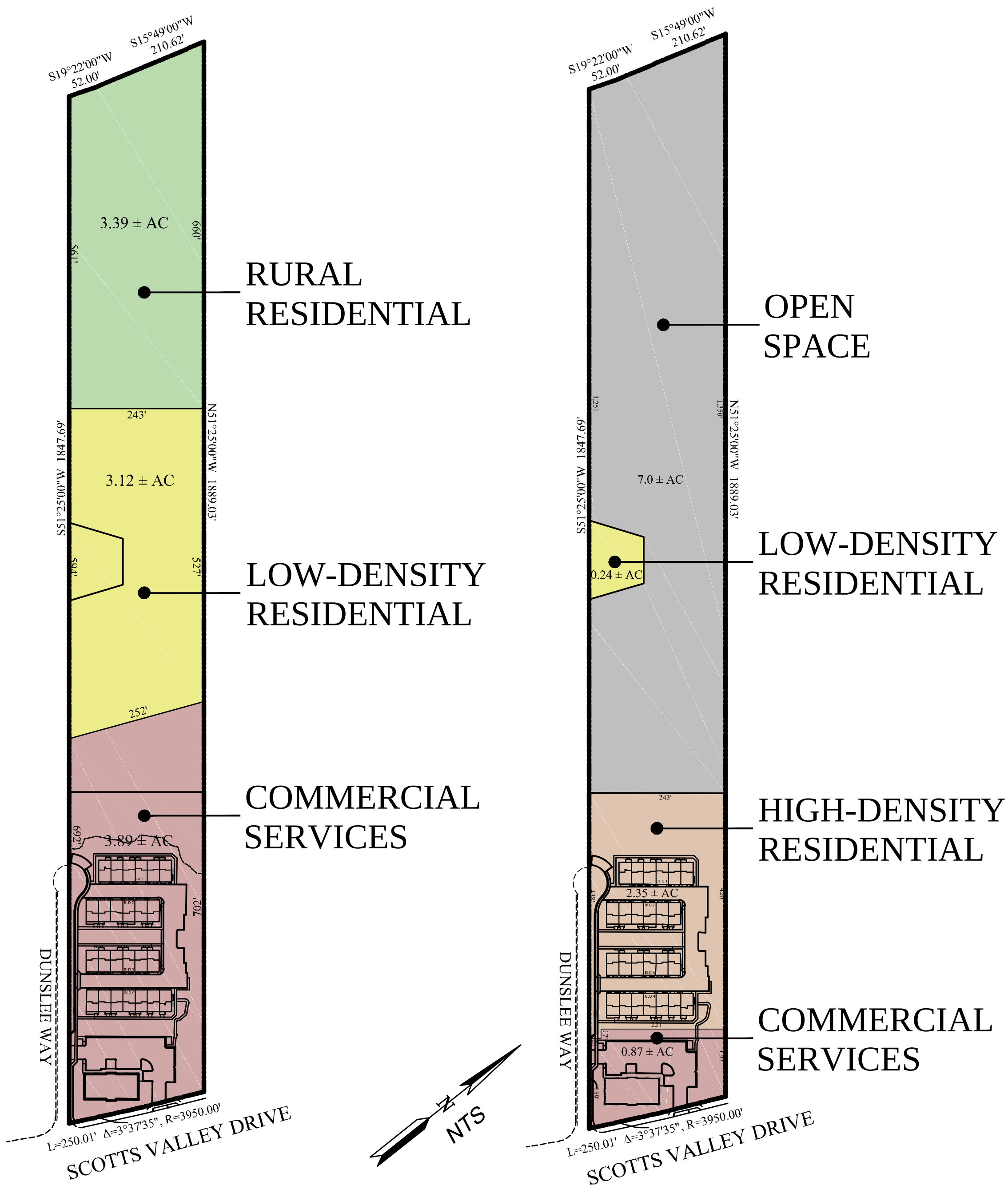
ABSTAIN:

ABSENT:

____
Donna R. Lind, Mayor

Attest:

____
Tracy A. Ferrara, City Clerk



EXISTING GENERAL PLAN DESIGNATION
(CITY OF SCOTTS GENERAL PLAN
LAND USE MAP - 2001)

PROPOSED GENERAL
PLAN DESIGNATION

DUNSLEE WAY
GENERAL PLAN DESIGNATIONS EXHIBIT

SCOTTS VALLEY, CALIFORNIA
30 NOVEMBER 2016

C.W. LAND CONSULTANTS, INC.
174 West Cliff Drive
Santa Cruz, CA 95060

RJA
RUGGERI-JENSEN-AZAR
ENGINEERS ▪ PLANNERS ▪ SURVEYORS
8055 CAMINO ARROYO GILROY, CA 95020
PHONE: (408) 848-0300 FAX: (408) 848-0302

JOB NUMBER: 092037-1001

FILE PATH: W:\JOBS 09\092037-1001\DRAWINGS\PRELIM\EXHIBITS\EXH-GP AND RZ LETTER SIZE 2016-11-30.DWG

ORDINANCE NO. 16-ZC-226

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY APPROVING ZONE CHANGE ZC15-003 AND PLANNED DEVELOPMENT (PD) DISTRICT OVERLAY PD15-003 TO CHANGE THE EXISTING ZONING DISTRICTS FROM C-S TO C-S/PD (COMMERCIAL-SERVICE / PLANNED DEVELOPMENT), R-1-20 TO R-H/PD (HIGH-DENSITY RESIDENTIAL / PLANNED DEVELOPMENT), AND R-R-2.5 TO OS/PD (OPEN SPACE / PLANNED DEVELOPMENT) FOR THE "DUNSLEE WAY" PLANNED DEVELOPMENT CONSISTING OF A 5,000 SQUARE FOOT COMMERCIAL BUILDING, 25 TOWNHOUSES, AND RELATED PROPERTY IMPROVEMENTS, SUBJECT TO ZONING CLASSIFICATION MAP FOR A VACANT PARCEL LOCATED ON SCOTTS VALLEY DRIVE AT DUNSLEE WAY / APN 022-451-01

WHEREAS, the City of Scotts Valley has received an application and technical reports from Corbett Wright (referred to as the "applicant") on behalf of property owners Marlyn Bergman and Scott Norton, to subdivide the parcel for commercial, high-density residential, and open space development and related property improvements on a vacant 10.41-acre parcel on Scotts Valley Drive at the corner of Dunslee Way, as shown on project plans on file with the Planning Department / APN 022-451-01; and

WHEREAS, the applicant has presented substantial evidence which supports the application; and

WHEREAS, the application is a "project" pursuant to the California Environmental Quality Act ("CEQA"), which requires the preparation and certification of an Environmental Impact Report in accordance with the requirements of the California Environmental Quality Act ("CEQA") and

WHEREAS, the City conducted an Initial Study and prepared a Mitigated Negative Declaration (IS/MND), in accordance with the State CEQA Guidelines and requirements. The IS/MND was duly noticed, published, and distributed for a 20-day public review period from October 11-31, 2016 (5:00PM), and was made available for public review at City Hall, Planning Department, and City's website. A public notice of the availability of this document was provided pursuant to the requirements of CEQA; and

WHEREAS, the project, as mitigated, is determined to not have a significant impact on the environment based upon the results of the environmental assessment; and

WHEREAS, the Planning Commission held a duly published and noticed special public hearing on November 17, 2016, to review and consider the proposed development and the requested planning permits (entitlements), hear public testimony, and recommended approval of the proposed project to the City Council, subject to amended mitigation measures and conditions of approval; and

WHEREAS, the City Council held a duly published and noticed public hearing on December 7, 2016, pursuant to the requirements of the Scotts Valley Municipal Code and State Law, to review and consider the Mitigated Negative Declaration, planning permit applications, and all other information in the record including, but not limited to, public testimony, and certified the Mitigated Negative Declaration and approved a Mitigation Monitoring and Reporting Program for the project in Resolution No. 1928; and,

WHEREAS, the City Council approved General Plan Amendment GPA15-003 in Resolution No. 1928.1; and,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley hereby approves, as further discussed in the City Council staff report dated December 7, 2016, as follows:

SECTION 1: Approve Zone Change ZC15-003 based on the following findings and as shown in the Zone Classification Map in Exhibit A, attached hereto and incorporated herein:

A. ***The change in the zoning districts are consistent with the General Plan and the densities are compatible with adjacent uses and densities.*** The project meets the requirements of this finding because the project will change some of existing C-S zone to C-S/PD, R-1-20 zone to R-H/PD, and R-R-2.5 zone to OS/PD, consistent with the approved General Plan Amendment GPA15-003 approved via City Council Resolution No. 1928.1 . The Planned Development District Overlay and Permit (PD) will be an overlay zone to the proposed base zoning districts and will allow the development to be designed to meet the needs of the project, property, and surrounding area. The zoning districts will follow the same zoning pattern of other approved developments located in the vicinity on the same west side of Scotts Valley Drive.

SECTION 2: Approve the Planned Development District Overlay and Permit PD15-003 based on the following findings and as shown in the Zone Classification Map in Exhibit A, attached hereto and incorporated herein:

B. ***That the Planned Development Zoning District Overlay and Permit (PD) further the policies of the General Plan.*** The project meets the requirement of this finding in that the overall building locations, landscaping, and walls will provide buffers and green space between the different uses to ensure compatibility between commercial uses and their adjacent uses, consistent with General Plan (GP) Objective LO-37. The townhouses provide another type of residential product, consistent with GP Policy L-3. The required floating easement in the 7.2-acre "Remainder Parcel" for possible future trail systems or areas set aside as natural habitats or scenic view sheds is consistent with GP Action 610 & 611. The two outdoor passive park areas will provide amenities for project residents, consistent with one of the purposes of the PD permit.

C. ***The proposed Planned Development District Overlay (PD) are consistent with the underlying land use designations and zoning districts and the of the City of Scotts Valley General Plan.*** The project meets the requirements of this finding because the PD district overlay will be combined with the base zoning districts. The resulting C-S/PD, R-H/PD, and O-S/PD zones allow specific development standards to address the constraint of sloped parcel and to retain suitable trees that qualify for protection per City's Municipal Code.

D. ***That the PD conforms in all respects to the planned development zoning of the property.*** The "PD" will be an overlay zone to the proposed C-S, R-H, and O-S base zoning districts. The project design meets the requirement of this finding in that approval of the Planned Development and Permit will allow the project to vary from some of the development standards of R-H and C-S zones, while still allowing for the underused site to be developed. The R-H/PD and C-S/PD zones PD will include exceptions to: townhouse building heights of approximately 36-40+/- feet (where 35 feet is allowed); reduced garage sizes of 21 feet x 21 feet (where 22 feet x 22 feet is only required for single-family houses); reduced front setback for part of the commercial building of 13 feet-10 inches (where 20 feet is required); and various reduced setbacks for the townhouses.

E. ***That the inter-relationship between the orientation, location, mass and scale of building volumes, and elevations of buildings, structures, and other uses on-site are appropriate, compatible, and aesthetically harmonious.*** The project meets the requirements of this finding in that the overall siting and design of the buildings are well-designed in and of themselves. The 3-story design townhouses will have increased building heights of 36-40+/- feet, which will be located below the hillside ridge, consistent with the General Plan Action OSA-375. The PD will allow a variety of exceptions to provide commercial and housing opportunities on the site. The architecture, quality exterior materials/ finishes/colors, and landscaping will create a visually harmonious project, consistent with OSA-388 which requires critical review of visual resource areas designated on General Plan Figure OS-1.

F. ***The environmental impacts of the project have been reviewed and considered.*** The project meets the requirements of this finding in that the Mitigated Negative Declaration MND15-002 identifies potential impacts and ways to reduce those impacts to less than significant levels. The project will not have the potential to significantly degrade the quality of the environment, including effects on animals or plants. As mitigated, both short-term and long-term environmental effects associated with this project will be less than significant. Potential impacts to Air Quality, Biological Resources, Cultural Resources, Geology and Geophysics, Hazards and Hazardous Materials, Hydrological Resources and Drainage, and Noise, and will be less than significant with described mitigation measures and standard and project-specific conditions of approval. When impacts associated with this project are considered alone, or in combination, they are not significant as mitigated.

NOW THEREFORE, BE IT FURTHER RESOLVED that, after careful consideration of the application and related materials, plans, maps, facts, exhibits, staff report, testimony and other evidence submitted in this matter, and incorporated herein by this reference, the City Council approves Zone Change ZC15-003 and Planned Development District Overlay and Permit PD15-003 to change the zoning district on the subject property located on Scotts Valley Drive at Dunslee Way / APN 022-451-01, subject to the Zone Classification Map in Exhibit A, attached hereto and incorporated herein by this reference.

THE ABOVE AND FOREGOING ORDINANCE NO. 16-ZC-226 was introduced for a first reading on the 7th day of December, 2016, and passed and adopted on the 21st day of December, 2016, at a duly held meeting of the City Council of the City of Scotts Valley by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

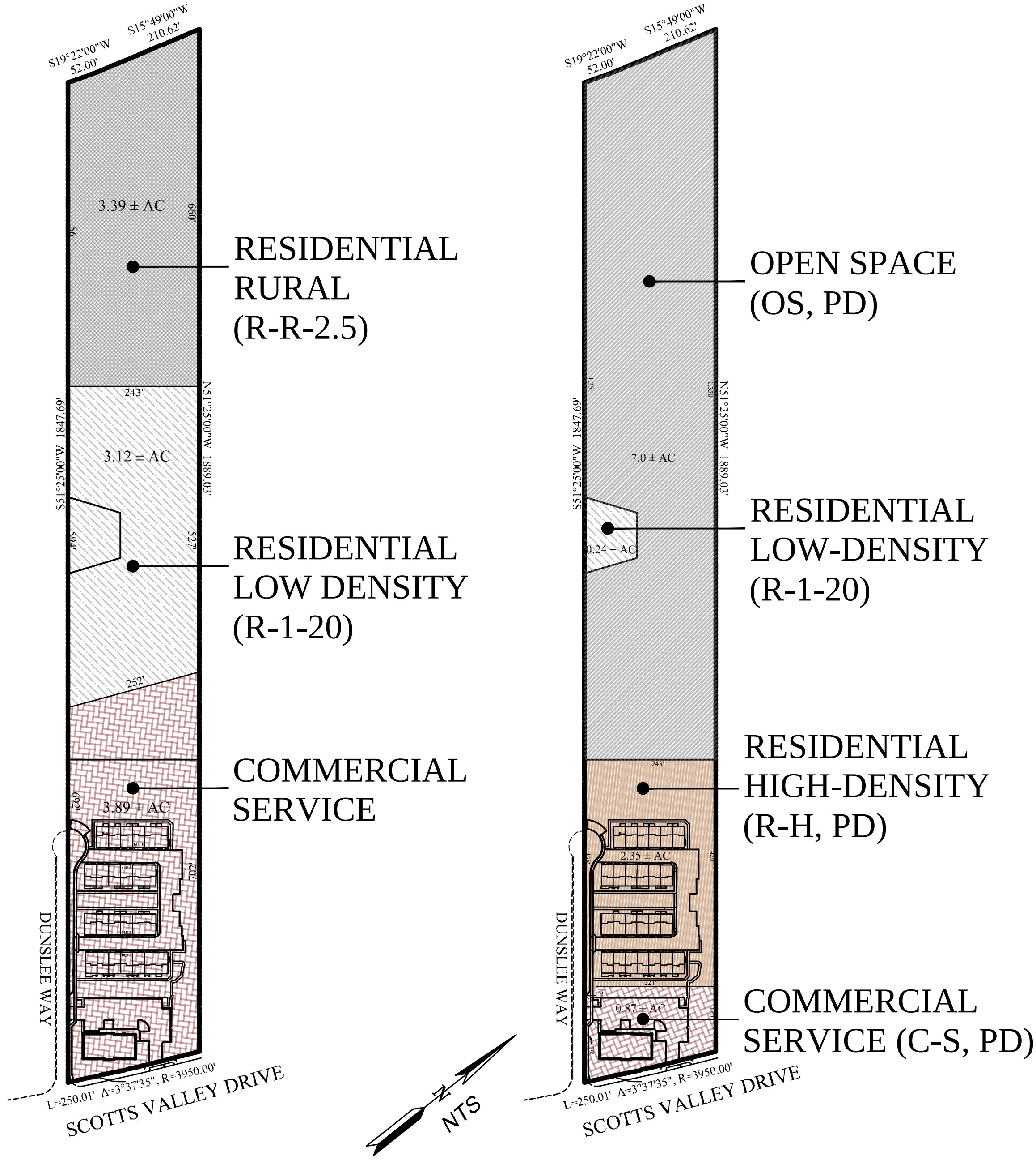
Approved: ______________________________
Donna R. Lind, Mayor

Attest:

____
Tracy A. Ferrara, City Clerk

Approved as to Form:

____
Kirsten Powell, City Attorney



EXISTING ZONING CLASSIFICATION
(CITY OF SCOTTS VALLEY ZONING MAP - 3/15/2013)

PROPOSED ZONING CLASSIFICATION

DUNSLEE WAY
ZONING CLASSIFICATIONS EXHIBIT

SCOTTS VALLEY, CALIFORNIA
30 NOVEMBER 2016

C.W. LAND CONSULTANTS, INC.
174 West Cliff Drive
Santa Cruz, CA 95060

RJA
RUGGERI-JENSEN-AZAR
ENGINEERS ▪ PLANNERS ▪ SURVEYORS
8055 CAMINO ARROYO GILROY, CA 95020
PHONE: (408) 848-0300 FAX: (408) 848-0302

JOB NUMBER: 092037-1001

FILE PATH: W:\JOBS 09\092037-1001\DRAWINGS\PRELIM\EXHIBITS\EXH-GP AND RZ LETTER SIZE 2016-11-30.DWG

RESOLUTION NO. 1928.2

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY APPROVING LAND DIVISION LD15-002 AND DESIGN REVIEW DR15-004 FOR THE "DUNSLEE WAY" PLANNED DEVELOPMENT CONSISTING OF A 5,000 SQUARE FOOT COMMERCIAL BUILDING, 25 TOWNHOUSES, AND RELATED PROPERTY IMPROVEMENTS, SUBJECT TO CONDITIONS OF APPROVAL ON A VACANT PARCEL LOCATED ON SCOTTS VALLEY DRIVE AT DUNSLEE WAY / APN 022-451-01

WHEREAS, the City of Scotts Valley has received an application and technical reports from Corbett Wright (referred to as the "applicant") on behalf of property owners Marlyn Bergman and Scott Norton, to subdivide the parcel for a commercial, high-density residential, and open space development and related property improvements on a vacant 10.41-acre parcel on Scotts Valley Drive at Dunslee Way, as shown on project plans on file with the Planning Department / APN 022-451-01; and

WHEREAS, the applicant has presented substantial evidence which supports the application; and

WHEREAS, the application is a "project" pursuant to the California Environmental Quality Act ("CEQA"), which requires the preparation and certification of an Environmental Impact Report in accordance with the requirements of the California Environmental Quality Act ("CEQA") and

WHEREAS, the City conducted an Initial Study and prepared a Mitigated Negative Declaration (IS/MND), in accordance with the State CEQA Guidelines and requirements. The IS/MND was duly noticed, published, and distributed for a 20-day public review period from October 11-31, 2016 (5:00PM), and was made available for public review at City Hall, Planning Department, and City's website. A public notice of the availability of this document was provided pursuant to the requirements of CEQA; and

WHEREAS, the project, as mitigated, is determined to not have a significant impact on the environment based upon the results of the environmental assessment; and

WHEREAS, the Planning Commission held a duly published and noticed special public hearing on November 17, 2016, to review and consider the proposed development and the requested planning permits (entitlements), hear public testimony, and recommended approval of the proposed project to the City Council, subject to amended mitigation measures and conditions of approval; and, after which, they recommended approval of the MND and project to the City Council, subject to the recommended mitigation measures and amended conditions; and

WHEREAS, the City Council held a duly published and noticed public hearing on December 7, 2016, pursuant to the requirements of the Scotts Valley Municipal Code and State Law, to review and consider the Mitigated Negative Declaration, planning permit applications, and all other information in the record including, but not limited to, public testimony, and certified the Mitigated Negative Declaration and approved a Mitigation Monitoring and Reporting Program for the project in Resolution No. 1928; and,

WHEREAS, the City Council approved General Plan Amendment GPA15-003 for the project in Resolution No. 1928.1; and,

WHEREAS, the City Council approved Zone Change ZC15-003 and Planned Development District Overlay PD15-003 for the project in Ordinance No. 16-ZC-226; and,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley hereby approves, as further discussed in the City Council staff report dated December 7, 2016, as follows:

b: Approve Land Division LD15-002 based on the following findings, and as shown on the plans submitted to the City Council, subject to Conditions of Approval in Exhibit A, attached hereto and incorporated herein:

A. ***That the location of the uses are in accordance with the objectives of the zoning ordinance and the purposes of the district in which the site is located.*** The project meets the requirements of this finding in that the project provides walls and landscaping between the residential development and the commercial building. As proposed and conditioned, the two uses and multiple building locations will provide adequate space to meet the needs of modern commercial development while protecting the existing residential neighborhood and adjacent project residential uses, consistent with the purposes and objectives of the C-S and R-H and zoning districts, respectively.

B. ***That the proposed tentative map/land division, together with the provisions for its design and improvement, is consistent with the General Plan.*** The project meets the requirements of this finding in that the design of the land division and its related property improvements are consistent with many goals and objectives of the General Plan, such as Conservation and Open Space Action OSA-375 to locate development below the ridge. The City's Parks Master Plan calls for the hillsides of this lot to be developed with trail systems or set aside as natural habitats or scenic view sheds. Conditions require the developer to place a floating easement in the proposed Remainder Parcel (7.2+/- acres) to be rezoned as Open Space. The Public Works Department has reviewed the project and recommended approval subject to conditions. The project includes public art by paying for two utility boxes on site to be painted, consistent with General Plan Action LA-13.3.

C. ***That the project site is physically suitable for the density of the land division.*** The project meets the requirement of this finding in that the 3.17-acre of developed land is sufficient land area for the commercial building, 25 townhouses, and related site improvements, while providing passive outdoor areas for future project residents. Public services are available and utilities are of adequate capacity to accommodate the project including build-out under the General Plan. Mitigation measures will reduce temporary impacts of the project grading and construction.

D. ***That the design of the land division or the proposed improvements are not likely to cause substantial environmental damage or substantially and avoidably injure fish or wildlife or their habitat.*** The project meets the requirements of this finding in that the Mitigated Negative Declaration (MND) includes extensive mitigation measures to reduce impacts associated with: Air Quality (fugitive dust emissions from construction activities); Biological Resources (impacts to riparian habitat and existing vegetation, nesting birds, and tree removal); Cultural Resources (earth disturbance to possible archaeological and paleontological resources); Geology, Soils, and Seismicity (risks associated with construction in seismically active area); Noise (temporary noise disturbance during construction). All impacts would be reduced to less than significant levels.

E. ***That the design of the land division or the type of improvements is not likely to cause serious public health problems.*** The project meets the requirement of this finding in that the project will not generate hazardous emissions nor be a storage facility for hazardous/ combustible materials. During project grading and construction, to reduce dust generation to minimal levels and to prevent sedimentation and discharge of contaminants off-site, mitigation requires the grading and construction contractors to implement best management practices (BMPs) and a hazardous materials containment plan, respectively. The MND evaluated that the project is not expected to cause serious public health problems.

F. ***That the design of the land division will not conflict with easements acquired by the public at large (for access through or use of property within the land division).*** The project meets the requirement of this finding in that no such easements are known to affect the project site. The Public Works Department has reviewed the project and recommended approval subject to conditions.

SECTION 2: Approve Design Review DR15-004 based on the following findings, subject to Conditions of Approval (Exhibit B) attached hereto and incorporated herein:

G. ***The siting of any structure on the property as compared to the siting of other structures in the immediate neighborhood is appropriate.*** The project meets the requirement of this finding in that the commercial and residential buildings will be sited appropriately in relation to the existing neighborhood and streets, given the building orientations and landscape buffers. The overall siting of residential and commercial buildings are suited to the property, setting, and zoning context.

H. ***The materials, colors, proportion, mass and detail of all structures shall be in good proportion, have simplicity of mass and detail and be compatible in appearance with surrounding structures. There shall be an appropriate use of materials. Colors shall be appropriate within the context of use and should blend with surrounding structures.*** The project meets the requirements of this finding in that the proposed townhouses and commercial building are compatible with the massing, architectural style and materials of the approved adjacent Woodside residential project. The proposed roof lines and forms will provide visual interest. The variety of quality materials, exterior treatments, finishing details and exterior colors building colors are appropriate, consistent with the City's design review criteria.

I. ***The size, location, design, color, number, lighting and materials of all signs and outdoor advertising structures shall be appropriate to the site and building design.*** The project meets the requirements of this finding in that the commercial and residential signage comply with the sizes/amounts of signage allowed in the City's Municipal Code. Sign placement and colors will allow customers and visitors to identify the project. The signage materials and colors are compatible with the project architecture, consistent with the approval criteria.

J. ***Landscaping and irrigation plans shall be required on the site. Landscaping shall be in keeping with the character or design of the building. Existing trees shall be preserved wherever possible.*** The project meets the requirements of this finding in that the project will provide new landscaping for the townhouses and commercial building. Connection to recycled water will be required. Preliminary landscaping details have been reviewed. A condition of approval involves exploring possible additional landscaping to soften the new development into an existing neighborhood, per General Plan Action OSA-389 which requires native plants be used to integrate the man-made environment into the natural backdrop and to screen or soften the visual impact.

K. ***The size, location and arrangement of on-site parking and paved areas shall be appropriate.*** The project meets the requirements of this finding in that the residential part will provide a total of 69 spaces (25 two-car garages and 19 uncovered surface parking spaces on site), which exceeds the minimum 55 space required by 14 spaces. The commercial building will provide 32 uncovered, surface parking spaces, while 20 are required. The project will provide a parking easement for townhouse guests to use 9 parking spaces on the commercial parcel.

L. ***For ingress, egress and internal traffic circulation, all the above factors shall be related to the setting or established character of the neighborhood or surrounding area.*** The project meets the requirements of this finding in that, in 1979, the City required a previous same developer on Dunslee Way to add the subject northern ½ of a right-of-way (23-feet wide street easement) on the subject property for possible future development. As a corner parcel, the project provides commercial access on both Scotts Valley Drive and Dunslee Way. Residential access will be on Dunslee Way, consistent with City General Plan policies.

M. ***For fences and walls over eight feet tall or fences over three feet tall in front yards when across from Hwy 17, consider height and access to sunlight, setbacks, landscaping and use of materials for articulation and visual relief.*** The project meets the requirements of this finding in that the project is not located across from Hwy 17.

SECTION 3: This resolution is subject to the approved Mitigation Measures in the Mitigation Monitoring and Reporting Program of Exhibit A in Resolution No. 1928, General Plan Amendment GPA15-003 in Resolution No. 1928.1, and Ordinance No. 16-ZC-226 for Zone Change ZC15-003 and Planned Development Zoning District Overlay and Permit PD15-003 and becoming effective.

SECTION 4: Land Division LD15-002 and Design Review DR15-004 shall lapse and shall be come void two (2) years from the date of this resolution unless prior to the expiration date, a building permit is issued and construction has diligently commenced to completion, or an extension of this approval is granted by the City.

NOW THEREFORE, BE IT FURTHER RESOLVED that, after careful consideration of the application and related materials, plans, maps, facts, exhibits, staff report, testimony and other evidence submitted in this matter, and incorporated herein by this reference, City Council approves Land Division LD15-002 and Design Review DR15-004 for the “Dunslee Way” Planned Development on the subject vacant 10.41-acre property located on Scotts Valley Drive at Dunslee Way / APN 022-451-01, subject to Mitigation Measures in approved Resolution No. 1928 and amended Conditions of Approval in Exhibit A, attached hereto and incorporated herein.

THE ABOVE AND FOREGOING RESOLUTION NO. 1928.2 was duly and regularly passed by the City Council of the City of Scotts Valley at a meeting held on the 7th day of December 2016, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

____
Donna R. Lind, Mayor

Attest: ____________________________
Tracy A. Ferrara, City Clerk

Exhibit A
Conditions of Approval
(#1 - #88)
(As amended by the Planning Commission on November 17, 2016;
new text is shown in ***italics***; deleted text is shown in ~~strikeout~~)

Legal

1. The developer has agreed to and shall defend, indemnify and hold harmless the City of Scotts Valley, its officers, agents and employees from any claim, action or proceeding against the City or its officers, agents or employees to attach, set aside, void or annul any action of the City in connection with approvals under the California Environmental Quality Act or with respect to approval of the project, which action is brought within the time period(s) prescribed by law. The City shall promptly notify the developer of any such claim, action or proceeding and shall fully cooperate in defense.

2. The developer/applicant shall sign the Conditions of Approval agreeing to the Conditions of Approval prior to issuance of any grading/building permits, transfer of title, or within 30 days of approval of these planning permits, whichever occurs first.

3. Before issuance of any building/grading permits or transfer of title, the developer shall record a signed copy of a "Memorandum of Agreement Regarding the Conditions of Approval" at the County Recorder's Office. Planning Department staff will provide the document to record. The developer shall provide a conformed copy to the Planning Department.

4. The developer shall obtain all required demolition, grading, improvement plans, and building permits and pay all appropriate required fees before starting any grading/earth disturbance on the property.

Planning Department

5. * The approved planning permits include a Mitigated Negative Declaration, General Plan Amendment, Zone Change, Planned Development, Land Division, Lot Line Adjustment, and Design Review to build a commercial building (5,000 sq. ft.), 25 townhouses, and related property improvements on approx. 3+ acres of the vacant 10+ acre property, as shown in the plans prepared by RJA Engineers, Studio Current Urban Design & Architecture, and Dillon Landscape Architects stamped approved, which are on file in the Planning Department. ***To ensure adequate overflow residential guest parking in the commercial parking lot, a restaurant use shall be prohibited in the commercial building.***

6. All site improvements shall be in conformance with the plans stamped approved, unless otherwise conditioned in this Exhibit B, to the satisfaction of the Community Development Director (CDD) and City.

7. Any future changes to the approved plans that the developer and/or other reviewing agencies initiate and/or propose, shall require prior review and approval by the CDD/City and CDD confirmation regarding the level of environmental review and planning permits required before any earth disturbance. As determined by the CDD, minor changes may be approved by the CDD while major changes may require review and approval by the Planning Commission and/or City Council, paid by the developer.

8. The developer and future project residents shall comply with the Mitigation Measures, which are listed in Exhibit A of this Planning Commission Resolution.

9. Before grading permit issuance, the developer shall submit a mitigation measure compliance monitoring fee deposit for ten (10) hours of staff time at the existing rate. Any unused time shall be refunded at a final building inspection.

Construction Phasing

10. * Before any grading or building permit issuance, the developer shall prepare a draft phasing plan agreement of the proposed construction phasing of the commercial component of the project, for review and approval by the City. ***The purpose of the agreement is to provide a "turn-key" building.*** The agreement shall include the following items, but shall not be limited to: full standard interior wall finishes, heating & air ventilation systems, water service meter connections, and sewer connections ~~to provide a "turn-key" building~~. ***The developer shall obtain a building permit for the commercial building and site improvements and pay all applicable fees.*** The commercial building and all site improvements such as the trash enclosure, parking lot striping, landscaping, etc., shall be started before a Certificate of Occupancy is issued for the last townhouse.~~ Before the first building permit is issued for any townhouse,~~ ***If the commercial building and site improvements are not complete at the time of Certificate of Occupancy issuance for the last townhouse,*** the developer shall begin to pay property tax to City as if the commercial building were built.

Grading

11. All recommendations in the geotechnical report prepared by project geotechnical engineer, are incorporated as conditions of project approval.

12. The limits of grading shall be clearly marked on the site prior to the issuance of a grading or building permit.

13. The location of all soil to be exported shall be reviewed and approved by the Building Department prior to issuance of a grading or building permit.

Street

14. The Applicant shall offer to dedicate to the City that portion of Dunslee Way that it owns, and shall show this offer of dedication on the final map to be recorded against the project site. So long as the City accepts the dedication of: (1) the applicant's portion of dunslee way, and (2) the remaining portion of Dunslee Way that was previously offered to the City for dedication pursuant to (1) "Parcel Map of the Lands of Wilson, Seadler & Dyer" filed for record in Santa Cruz County, California, on November 17, 1989, and (2) "Parcel Map for Charles Ronald Roberson" filed for record in Santa Cruz County, California, on April 10, 1979, then the Applicant shall be required to construct (at the applicant's sole cost and expense) the Dunslee Way improvements in accordance with the Subdivision Improvement Agreement ("SIA") and these conditions.

    *** On the Final Map, the developer shall remove the three (3) parking spaces located at the end of the cul-de-sac from the proposed right-of-way and shall show a public easement for these three (3) parking spaces. The project HOA shall be required to maintain the three (3) parking spaces.***

15. Prior to recordation of the final map, the applicant and the City shall enter into a mutually acceptable subdivision improvement agreement ("SIA") relating to the improvement of the entire width of Dunslee Way. This SIA shall include the following provisions requiring the applicant to provide to the City:
    a. A faithful performance bond sufficient to cover one hundred percent (100%) of the total estimated cost of constructing the improvements on Dunslee Way described in the "Tentative Map Dunslee Way (Lands of Norton, Bergman)" (the "Dunslee Way Improvements");
    b. A labor and material bond sufficient to cover fifty percent (50%) of the total estimated cost to construct the Dunslee Way Improvement (guaranteeing the payment of all persons for labor and materials furnished in the construction thereof); and,
    c. A warranty bond sufficient to cover ten percent (10%) of the total estimated cost to construct the Dunslee Way Improvements (guaranteeing said improvements against any defective work or labor done, or defective materials used in the work).

16. Prior to the recordation of the final map, the applicant and the City shall enter into a mutually acceptable encroachment permit or temporary construction easement agreement that allows the applicant to construct the Dunslee Way Improvements pursuant to the SIA and these Conditions, if the City has accepted the offer of dedication of Dunslee Way. This permit or easement shall include appropriate insurance and indemnity provisions reasonably acceptable to the City.

17. Prior to the recordation of the final map, the City will consider, by resolution whether to rescind its statement that Parcel B shown on the subdivision map

entitled “Parcel Map of the Lands of Wilson, Seadler & Dyer” filed for record in Santa Cruz County, California, on November 17, 1989, is “not accepted” and unconditionally accept the dedication.

18. All future street names shall be reviewed and approved by the City, subject to review by the Fire District and Santa Cruz County. The project developer shall work with the City to establish street names that reflect the history and character of Scotts Valley prior Final Map approval. Provide street name for street serving units 29-35. Approved street names shall be shown on the final map.

<u>CC&R’s</u>

19. Before a Final Map is recorded, the developer shall submit two copies of the Conditions, Covenants and Restrictions (CC&Rs) for City review. The developer shall submit a deposit for City Attorney review and approval. The CC&Rs shall include the following items, but not limited to:
    a. A cheat sheet of key City limitations of the project, placed in the front of the CC&Rs;
    b. Require the residents to park their cars in the garages – not in the uncovered guest parking;
    c. Restrict the number of cars per residence to two;
    d. Contain a parking plan that specifies parking stall designations for residents and guests, fire lanes, and “No Parking” areas, and no semi-truck parking;
    e. Require curb and striping to be consistent with the Uniform Fire Code, and allow Police Department enforcement of no parking on the private street; and,
    f. Provide on-going management and maintenance for street and site improvements.

20. Prior to the recordation of the final map, the applicant shall provide to the City a copy of recorded Covenants, Conditions and Restrictions (“CC&Rs”) that include the following language:

    a. As part of the original construction of the development, street improvements were installed by declarant on the entire width of what is known as “Dunslee Way” adjacent to and partly within the development. Dunslee Way is a public street, half within the subject development and half within the adjoining development. Dunslee Way shall be maintained by the City, provided that this development shall bear the expense of the street maintenance and repair. Effective on the date the association commences operations, the association shall assume the rights and duties of this development to contribute to the City’s general fund the sum of $5,377.00 per year, to include consumer price index inflation annually, for the City’s ongoing maintenance and repair of Dunslee Way, and shall include its costs to comply therewith in the assessment levied against the lots in the development. The board shall have the full right, power and authority to act on behalf of the association, its members and the lot owners in connection therewith.

b. Notwithstanding anything to the contrary in this declaration, no amendment that deals with any of the following matters shall be effective without prior written consent to the City's Community Development Director or its designee:

(1) Any amendment, the design or purpose of which is to eliminate or reduce an obligation of the association to assess its members and transmit annually the amount described herein for the City's maintenance of Dunslee Way; and,

(2) Any amendments to provisions in the CC&Rs that benefit the City, and all defined terms therein, each of which were required as a condition of approval for the development.

c. The City is a third party beneficiary of the declaration pursuant to California Civil Code section 1559. Notwithstanding any provision of the declaration to the contrary, and with respect to matters within the regulatory powers of the City, the City has the right, but not any duty, to enforce the terms of this declaration that benefit the City, in the City's absolute discretion.

Noise

21. The developer shall provide an analysis prepared by a qualified acoustical consultant that the project itself and any exterior equipment will not increase ambient noise levels more than 5 dbA measured at the property lines, subject to review and approval by the Community Development Director before issuance of a building permit for vertical construction.

Biotic

22. * ~~The developer shall provide written documentation consultation with USFWS pursuant to Dr. Arnold's recommendation.~~ ~~b~~***B***efore issuance of grading ***permit/building permit*** or any earth disturbance on site***, the developer shall email the USFWS notifying them of approved project and Dr. Arnold's study and recommendation and provide the City with a copy of the email.***

Trees

23. Tree removal shall not occur until grading/building permit issuance.

24. The final grading plans and improvement plans shall be reviewed and approved by the project arborist prior to any grading and if deemed necessary by the Community Development Director additional tree preservation measures shall be applied to the project.

25. The project arborist shall place a monetary value on trees preserved on development sites and a surety bond in an amount equal to the value of the preserved trees shall be deposited with the city prior to issuance of a grading/building permit for the project. The monetary value shall be reviewed and approved by the Community Development Director. If damage occurs to the preserved trees during development and/or construction, funds will be drawn from the deposited amount. Funds remaining in the account will be returned to the developer upon final inspection of the project.

26. Prior to the issuance of any grading or building permits, the project arborist shall inspect tree protection fencing and the completion of pre-construction treatments.

27. The project arborist shall routinely inspect the development site through the term of the project.

Landscaping

28. The CDD shall review and approve the landscape plan.

29. The landscaping improvements shall be permanently maintained and irrigated.

30. Although the proposed project will not block any designated scenic vista, landscape screening may be required to soften the appearance and integrate the walls into the natural setting of the site.

Lighting

31. The final lighting plan shall for exterior lighting shall comply with regional dark sky policies and shall be reviewed and approved by the Community Development Director prior to issuance of building permit of vertical construction.

32. The developer shall use shields on the light poles and reduce the pole height to 12 feet, consistent with the adjacent Woodside subdivision and City policies and design guidelines for lighting to be at the lowest level and carefully controlled for security, aesthetics, safety and identification without interfering with nearby land uses.

33. For the two bollard light poles that produce a small area “hotspot” of more light, the developer shall use a lower wattage of lightbulb (lamp) for those two bollards.

34. All exterior lighting shall be the minimum necessary for security and all lighting shall be down shining with the light source not directly visible from adjacent properties. Where deemed necessary by the Community Development Director light cutoffs/shields shall be installed.

Affordable Housing

35. Before a Final Map is recorded, the developer shall enter into an Affordable Housing Agreement with the City and follow the City's sale procedures.

Building Department

36. The developer shall obtain any required grading and/or building permit(s) and pay applicable fees.

37. Winter grading shall require prior review and approval by the City.

38. The developer shall pay all applicable City development impact fees before grading and/or building permit issuance.

39. The developer shall pay school impact fees to the Scotts Valley Unified School District before building permit issuance.

40. All trades of electrical, plumbing and mechanical will be issued under one building permit for said project (General Contractor permittee).

41. All buildings shall be designed to comply with the current codes in effect at the time of building permit issuance.

42. The building permit plans must comply with the current California Building Code (CBC) for water-conserving fixtures and fittings and with the CA Energy Commission Building Energy Efficiency Standards, which includes energy-saving fixtures and appliances to be used throughout the building.

43. All structures shall comply with the most current California Energy Commission Standards (Title 24).

44. All new construction shall comply with the City's current Green Building Guidelines, which requires various low-impact-development and resource efficient techniques, to the satisfaction of the Community Development Director (CDD).

45. Structural calculations shall be submitted and wet-signed by the Engineer of record.

46. Provide names of Special Inspectors with certifications as required.

47. A soils report by a qualified geologic engineer shall be submitted with the application for any building permits.

48. All new utilities shall be installed underground.

49. The developer shall comply with the City's standard erosion control measures. The plans submitted for a building permit must include best management practices (e.g. erosion control practices and procedures) during construction, which include complying with Regional Air Quality Control Board emissions for construction equipment.

50. Site drainage erosion control and foundation plans must be reviewed and approved by a soils engineer.

51. Grading and building permit plans shall include separate full-sized sheets listing the required Mitigation Measures and Conditions of Approval.

52. An engineered grading permit shall be required.

53. The developer shall submit a plan review letter from the project Geotechnical Engineer confirming that the construction documents comply with the project geotechnical engineer's recommendations.

54. To ensure that City requirements are met, the developer shall specify to the Building Official the off-site disposal location of any exported soil material at a pre-construction meeting or before grading permit issuance. If the disposal site is located outside the City, the site shall be a legal facility such as a licensed landfill or permitted fill site.

55. Developer shall submit a plan showing temporary (during construction) and permanent erosion control measures will need to be submitted to the Regional Water Quality Control Board (RWQCB), the agency that administers NPDES, and the City Building Department for review and approval.

~~56.~~ * ~~Developer shall remove the existing building foundation in proposed outdoor yoga area behind Building 1, to the satisfaction of the CDD.~~

<u>City Public Works Department- Engineering Division</u>

57. A final subdivision or parcel map in conformance with the California Government Code, Section 66410 *et seq*, and with the City Subdivision Ordinance, and including the conditions of the tentative subdivision map, shall be filed to the satisfaction of the Public Works Director/City Engineer.

58. All required documents, final or parcel map sheets, covenants, developer and city improvement agreements and bonds, shall be provided to the satisfaction of

the Public Works Director/City Engineer prior to the recordation of any final map or application for any building permit. (Developer should be advised that officials of Santa Cruz County, such as the Auditor-Controller, Recorder and Clerk of the Board have requirements, such as payment of taxes and present title guarantee, which precede recordation of the map.)

59. Engineered Improvement Plans shall be submitted for all on site and off site work and will be approved by the Public Works Director/City Engineer. On-site and off-site (encroachment) civil engineering permits must be issued by the City prior to commencing any work. Improvement Plans shall include any necessary grading, drainage, masonry retaining walls, driveway, sanitary sewer, water, street lights, street signs, mailboxes, street trees, street lights, electric, telephone, gas, cable television, and any other proposed utility, utility pole relocation, frontage improvement and/or repair of sidewalk, curb and gutter or similar facilities required to satisfy tentative map conditions to the satisfaction of the Public Works Director/City Engineer. All improvements shall conform to the design standards contained in text and illustration in the "City of Scotts Valley Standard Details", latest revision adopted by the City Council.

60. Developer shall construct street improvements for the full parcel frontage in accordance with the City of Scotts Valley Standard Details, latest revision, adopted by the City Council.

61. The developer shall improve Dunslee Way right-of-way, including but not limited to the following items, as deemed required by DPW to the satisfaction of the DPW:
    a. Inspect sanitary and storm sewer and repair if needed;
    b. Replace damaged sections of existing curb and gutter on south side of road;
    c. Install matching curb and gutter the entire length of north side of road;
    d. Create Maintenance Assessment or other instrument/mechanism to be approved by City;
    e. Remove and replace all AC;
    f. Plans shall include project specific street profiles and sections and all work shall be designed and constructed in accordance with:
        (1) City of Scotts Valley Standard Details Part 2 for Street Design including: ST-4, ST-5, ST-6, ST-7, ST-12, and possibly ST-10;
        (2) City of Scotts Valley Standard Details Part 3 for Storm Drainage including: SD-7, SD-8, SD-9; and,
        (3) Sewer Details SS-4 and SS-10.

62. Engineered improvement plans for all work, signed and prepared under the direction of a registered civil engineer, shall be approved by the Public Works Director/City Engineer prior to commencing work.

63. All work in the public right-of-way will require an encroachment permit application made to the satisfaction of the Public Works Director/City Engineer. The civil on-site work, as plan reviewed by the Public Works Department, will require an on-site civil engineering permit and inspection.

64. All public improvements shall be guaranteed by written Agreement with the city, Faithful Performance Bond, and Labor and Material men's Bond, to the satisfaction of the Public Works Director/City Engineer.

65. All signing and striping shall be approved and completed as required by the Public Works Department, and shall be in conformance with current editions of Transportation and Traffic Engineering Handbook, by the Institute of Transportation Engineers, and the State Department of Transportation "Standard Specifications".

66. The project shall connect to the sanitary sewer system and existing septic systems, if any, shall be properly abandoned to the satisfaction of the PWD.

67. Developer shall construct storm drain facilities in conformance with data and analysis and current City regulations for water quality and waste discharge that are in effect at the building permit stage, as determined and required by the Public Works Director/City Engineer.

68. Developer shall pay the cost to accomplish the utility design and construction to underground any telephone, electric power, and television cables in each project contained easement, private or public road frontage. This under grounding of utilities to remove utility poles comes in addition to the state required under grounding of transmission for the project and any new service connections, to the satisfaction of the Public Works Director/City Engineer.

69. A registered civil engineer shall provide storm (hydrologic and hydraulic) calculations for appropriate storm drain facilities to control on-site drainage and mitigate off-site impacts. The design shall follow the criteria contained in the City of Scotts Valley Standard Details and the data and analysis contained in the latest adopted City of Scotts Valley Storm Drainage Master Plan. Development shall not increase the rate of flow (cubic feet per second) or velocity (feet per second) of site run-off water to any off-site drainage areas beyond the measured or calculated pre-project rate and velocity.

70. Developer shall pay the cost to accomplish the utility design and construction to underground the telephone, electric power, and television cables in each project contained easement, private or public road frontage. This under grounding of utilities to remove utility poles comes in addition to the state required under grounding of transmission for the project and any new service connections to the satisfaction of the PWD/CE.

71. The final map shall be submitted to the City's Public Works Department on an Auto CAD drawing up to version 2004 electronic version prior to recording.

72. The developer shall submit a completed "segregation of assessment" form for each assessment district in which the subdivision participates.

73. Prior to the filing of the final/parcel map, the developer shall contact the Santa Cruz County Assessor's Office or the Local Agency Formation Commission (LAFCO) to ensure that the subdivided property is within a single tax code.

74. Required for final map approval including but not limited to as deemed required by DPW:
    a. Erosion control plan;
    b. Plan and Profile of Dunslee Way and highlight how it will conform to, or differ from, City Standards; and,
    c. Preliminary Stormwater Control Plan: “Floatable bark” shall be avoided in bioretention areas. Per City of Scotts Valley Stormwater Technical Guide, select a non-floating mulch. Floatable bark tends to clog outlet structures and/or pollutes downstream systems. Revise Page 4 to remove floatable bark from bioretention areas.

75. Pre-Construction Meeting: In order to ensure that the mitigation measures are communicated to the various parties responsible for constructing the project, prior to any disturbance on the property, with the exception of installation of temporary construction fencing demarcating the disturbance envelope, tree protection fencing, and silt fencing, the developer shall convene a pre-construction meeting on the site. The following parties shall attend: the developer, the grading contractor supervisor, the project biologist, the project arborist, the Civil Engineer, City of Scotts Valley Planning staff, City Engineer, and Public Works Director. The temporary construction fencing demarcating the disturbance envelope, tree protection fencing, and silt fencing will be inspected at that time.

76. Before grading/building permit issuance, the developer shall provide a set of current (pre-project) photos of Dunslee Way and Scotts Valley Drive parcel frontage to the Public Works Director for review and approval, to ensure that the developer repairs any damage to City-maintained streets that is caused by project construction:
    a. After project construction and before occupancy, the developer shall schedule an inspection with the Public Works Director to inspect the road and determine if any repairs are required to restore the road to the pre-project condition; and,
    b. The developer shall complete any required repairs to the road to the satisfaction of the Public Works Director before City sign-off on the building permit(s) and occupancy of any unit.

77. Applicant shall provide used motor oil reclamation services for the general public (applies to services stations).

78. ** Pursuant to City Council action on March 3, 2010, the developer shall modify the project Traffic Impact Study to address the Mount Hermon Road/Scotts Valley Drive and Mount Hermon Road/ La Madrona Drive intersections to determine the additional peak hour trips through the intersections as follows: specifically, AM and PM peak hour trips for Mount Hermon Road/ Scotts Valley Drive and PM only peak hour trips for Mount Hermon Road/La Madrona Drive. The study shall also determine if the additional trips will degrade the Level of Service (LOS) of the intersections. The findings of the study will determine the amount owed for the Mount Hermon Road traffic mitigations fair share contribution. The developer shall conclude this study and pay any associated fees at the time of building permit issuance.

City Public Works Department- Parks & Recreation Division

79. The developer shall comply with City Municipal Code Chapter 16.35, Dedication of Land for Park and Recreational Purposes.

80. To be consistent with the City's Parks Master Plan which calls for the hillsides of this lot to be developed with trail systems or set aside as natural habitats or scenic view sheds, the developer shall provide an irrevocable offer to dedicate a "floating easement" for these items. This "floating easement" shall apply to the 7.2-acre "Remainder" Parcel to be rezoned as Open Space. The exact location of any future trail systems and any associated parking easement shall be determined by the City. The construction of a future trail and associated parking shall be done by the City and not be the responsibility of the applicant or the homeowners.

81. To provide public access for those trail systems dedicated for public use within the dedicated open space parcel, the developer shall create the necessary public easements. The public easement document shall be reviewed by the City Attorney to protect the HOA against unnecessary liabilities from public use of public dedicated trail and parking areas. There will be appropriate signage at trail heads to limit usage according to the Parks & Recreation Commission guidelines. Trail signage and use conditions shall be developed in consultation with the City's Parks and Recreation Commission and City Attorney.

City Public Works Department - Wastewater Division

82. All sanitary sewer mains, laterals, manholes, and pump stations inside all of the facilities shall be private except for the main trunk line and manholes in the Scotts Valley Drive / Dunslee Way right-of-way.

83. Every sewer lateral crossing a curb line shall be marked with an “S” stamped in the face of the curb.

84. Water softeners shall only be permitted if they are exchange-base systems, where a vendor comes and picks up columns of brine and exchanges them for new ones. Systems that back-flush and discharge brine to the sewer are not permitted since the City of Scotts Valley recycles water for irrigation.

Scott Valley Fire Protection District

85. All development must comply with the California Fire Code as amended by the Scott Valley Fire Protection District.

Scott Valley Water District (SVWD)

86. A Main Extension Agreement will need to be executed between Marlyn Bergman/ Corbett Wright and SVWD.

87. Future improvement plans and construction documents shall address specific comments made on SVWD letter dated January 11, 2016.

88. All recycled water systems must be designed according to the SVWD Rules and Regulations and must conform to the Recycled Water Irrigation Systems Standard Notes and Details.

* ***As amended by the Planning Commission on November 17, 2016***

** ***As added by the Public Works Director on November 23 & 28, 2016***

____________________________________ ________________
Signature of Corbett Wright, Applicant/Developer Date

CITY OF SCOTTS VALLEY

PLANNING DEPARTMENT

One Civic Center Drive • Scotts Valley • California • 95066
Phone (831) 440-5630 • Facsimile (831) 438-2793 • www.scottsvalley.org

Planning Commission
Special Meeting Action Minutes

DATE / TIME: Thursday, November 17, 2016, at 6:00PM

MEETING LOCATION: City Hall Council Chambers at One Civic Center Drive

POSTING: Agenda posted at the City of Scotts Valley City Hall and Senior Center, and the Public Library on November 10, 2016

Planning Commissioners	**City Staff Members**
Russ Patterson, Chair Derek Timm, Vice-Chair Carlos Arcangeli, Commissioner Steve Horlock, Commissioner Deborah Muth, Commissioner	Taylor Bateman, Acting Community Dev. Director Michelle Edwards, Senior Planner Brenda Stevens, Assistant Planner

CALL TO ORDER: The Planning Commission Chair called the meeting to order at 6:03PM.

PLEDGE OF ALLEGIANCE AND MOMENT OF SILENCE: The Planning Commission Chair led the pledge of allegiance.

ROLL CALL: Present: Arcangeli, Horlock, Muth and Patterson. Absent: Timm with cause (self-recused).

ORAL COMMUNICATIONS: None.

ALTERATIONS TO CONSENT AGENDA: None.

CONSENT AGENDA: The Commission acted on all the minutes in one motion.

1. Action Meeting Minutes from meeting on October 13, 2016.

ACTION:
Planning Commission M/S: Muth/Arcangeli
To approve the minutes as prepared
Carried 4/0/1 (AYES: Muth, Arcangeli, Horlock and Patterson. (ABSENT: Timm with cause)

ALTERATIONS TO REGULAR OR PUBLIC HEARING AGENDA: None.

PUBLIC HEARING AGENDA:

2. **Project Title:** "Dunslee Way" Planned Development
Project Location: Corner of Scotts Valley Drive & Dunslee Way, Scotts Valley, CA 95066 (No address; property is a vacant lot) APN 022-451-01
Planning Permit Application #s: MND15-002, GPA15-003, ZC15-003, PD15-002, LD15-002, and DR15-004
Applicant/Developer: Corbett Wright
Property Owner: Marlyn Bergman and Scott Norton
Project Description: Consideration of Planning Commission review and recommendation of approval to the City Council of a proposed Mitigated Negative Declaration, General Plan Amendment, Zone Change, Planned Development, Land Division, and Design Review to build a commercial building (5,000 sq. ft.), 25 townhouses, and related property improvements on approx. 3+ acres of the vacant 10+ acre property, which is zoned for commercial-service and low- density and rural residential uses. The Planning Commission will hold a public hearing, review the application, hear public comment, make the required findings for Park & Recreation in-lieu fees and for City Council review and decision at a future public hearing to be scheduled.
Case Planner: Michelle Edwards, Senior Planner, (831) 440-5632 / medwards@scottsvalley.org

ACTION:
Planning Commission M/S: Patterson, Arcangeli
To recommend approval via Resolution No. 1711
Carried 4/0/1 (AYES: Patterson, Arcangeli, Horlock, and Muth) (ABSENT: Timm with cause)

REGULAR AGENDA: None.

DISCUSSION ITEMS AND FUTURE AGENDA ITEMS: None.

WRITTEN COMMUNICATIONS - FOR INFORMATION ONLY: None.

ADJOURNMENT: Approximately 7:30PM

City of Scotts Valley
PLANNING COMMISSION
STAFF REPORT

Date:	November 17, 2016	
Applicant-Developer/ Property Owner:	Corbett Wright / Marlyn Bergman and Scott Norton	
Requested Permits:	Mitigated Negative Declaration	MND15-002
	General Plan Amendment	GPA15-003
	Zone Change	ZC15-003
	Planned Development	PD15-002
	Land Division	LD15-002
	Design Review	DR15-004
Location:	Dunslee Way (no address as a vacant lot) / APN: 022-451-01	
Size of Parcel:	10.41 acres	
General Plan / Zoning:	Service-Commercial / Service-Commercial (C-S), Low-density Residential / Single-family Residential (R-1-20), and Rural Residential / Rural Residential (R-R-2.5)	
Environmental Review:	Mitigated Negative Declaration (MND) was distributed for public review Oct. 10-31, 2016, in accordance with the California Environmental Quality Act (CEQA).	
Request:	Consideration of Planning Commission review and recommendation of approval to the City Council of a Mitigated Negative Declaration, General Plan Amendment, Zone Change, Planned Development, Land Division, and Design Review to build a commercial building (5,000 sq. ft.), 25 townhouses, and related property improvements on approx. 3+ acres of the vacant 10.41-acre property, which is currently zoned for commercial-service and low-density and rural residential uses.	
Case Planner:	Michelle Edwards, Senior Planner, (831) 440-5632 or medwards@scottsvalley.org	

ME

PLANNING DEPARTMENT RECOMMENDATION

The Planning Department recommends that the Planning Commission conduct a public hearing, hear public testimony, and recommend approval to the City Council on the Mitigated Negative Declaration and requested planning permits. Recommended mitigation measures and conditions are attached in Exhibits A and B. At a future public hearing to be scheduled, the City Council will take action on the requested permits.

SITE DESCRIPTION

The 10.4-acre property is undeveloped and extends westward from Scotts Valley Drive at the corner of Dunslee Way (see attached Location Map). On property owner's adjacent residence, the owner has a shed and part of a driveway located on Proposed Parcel L (0.24-acre) on the subject property, uphill from the proposed development. To the south on Dunslee Way, existing uses include the Baymonte Preschool, duplexes, and single-family residences, while the three Woodside commercial buildings and 50 single-family residences exist to the north.

An intermittent drainage is located along the northern boundary of the development area. Most of the proposed development area supports ruderal weedy vegetation (pampas grass); however, mixed evergreen forest (including native oak trees) are located at the western end of the development (in the proposed rear common area behind the last row of townhouses). Coyote brush scrub (with some willow) dominates the intermittent creek.

PROJECT DESCRIPTION

Of the 10.41-acre vacant property, the proposed project will develop approximately 3.17 acres, as summarized below:

- Commercial Lot: On the street frontage, a commercial building (5,000 square feet) with surface parking, trash enclosure, and related property improvements are proposed. Although commercial tenant(s) or use(s) are not known, they will be subject to the City's C-S zoning regulations. Site access is proposed off Scotts Valley Drive and Dunslee Way.

- Residential Lots: In four separate buildings, 25 residential townhouses will be located behind the commercial building. Each townhouse will be located on a separate lot, with lot sizes ranging between 1,100 to 1,900 square feet. The majority of the townhouses will be 3-story (22 of 25 townhouses), while the ends of Buildings 2-4 will have one 2-story townhouse closest to Dunslee Way. Floor areas will range from 1,342 to 2,233 square feet. Each townhouse includes a front porch and 2-story deck. All garages are designed for two cars with interior dimensions of 21 feet x 21 feet.

  Access is two driveways off Dunslee Way, which lead to a U-shaped 25-feet wide private street. Garages will front the private street while front yards will be oriented toward internal walkways. Residential improvements include two common outdoor recreation areas for project residents, surface guest parking, rock retaining walls, outdoor lighting, and landscaping.

- Site and Street Improvements: A total of 19 uncovered guest parking spaces will be located on-site; three are at the end of the cul-de-sac next to Building 1, while 16 spaces are along the north side of the property. As shown on Project Sheet TM-04, the proposed street improvements will upgrade the existing southern ½ street of Dunslee Way to current street standards and extend it by 7, 15, and approximately 37 feet on the subject property. This will result in total street widths of 34, 42, and 70 feet, respectively, which includes a cul-de-sac for emergency vehicle turn-around, and eight (8) street parking spaces.

  The project includes storm water detention areas which will empty into the City of Scotts Valley storm drain system. Large native oak trees in the common open space area behind Building 1 will be retained. Vegetation removal for the new buildings and parking will mostly be Coastal live oak trees and non-native shrubs.

- Open Space: The upper two-thirds of the site will not be disturbed and is proposed to be rezoned as Open Space (OS). Parcel L (0.24-acre) will maintain its current R-1-20 single-family residential zone and will be transferred to the property owner's existing single-family residence via the Land Division (Tentative Map). The O-S parcel will not be a future home site and will be owned and maintained by the current property owner as a buffer to his adjacent residence.

- Public Art: The developer proposes to work with the Parks and Recreation Division Manager and the Arts Commission to hire local artists to paint the two existing utility transformer boxes located along Scotts Valley Drive frontage. The anticipated cost to paint each boxes is $300, and the applicant has offered to pay the $600 fee as part of the project.

- Submitted Plans: Full-scale plans are on file at the City of Scotts Valley Planning Department, while a reduced-scale plans are available at this link: http://www.scottsvalley.org/planning/Dunslee_Way_Planned%20Development.html

Requested Planning Permits: The applicant requests Planning Commission review and recommendation of approval to the City Council for final action on the following planing permit applications:

- Mitigated Negative Declaration: To identify potential environmental impacts and ways to reduce them to less than significant levels, subject to the California Environmental Quality Act (CEQA) and the CEQA Guidelines;

- General Plan Amendment: To change some of the General Plan land use designation from Service-Commercial to High-Density Residential, from Low-density Residential to High-Density Residential, and from Rural Residential to Open Space;

- Zone Change: To change some of the C-S zone to C-S/PD, R-1-20 zone to R-H/PD, and R-R-2.5 zone to OS/PD;

- Planned Development: To create specific development standards to meet the needs of the project and to allow exceptions to the Scotts Valley Municipal Code;

- Land Division: To create a total of 39 parcels (25 residential parcels, 1 commercial parcel, 1 parking parcels, 8 landscape and storm drainage parcels, 1 open space parcel, 1 residential parcel, and 2 right-of-way parcels); the noticed Lot Line Adjustment is not required because the Tentative Map will include the proposed Parcel L (0.24 acre) to the property owner's existing property;

- Design Review: To evaluate the design of the commercial and residential buildings and structures.

DISCUSSION

The Planning Department has reviewed the project for compliance with the City's requirements. An analysis of the issues for Planning Commission consideration is described below:

1. **Consistency with the City's General Plan & Parks Master Plan:** The City's General Plan is the main policy document that provides goals, objectives, policies, and specific actions to carry-out the City's vision for new development. The proposed project requests to change the existing General Plan Land Use Designations from some Service-Commercial to High-Density Residential, from Low-density Residential to High-Density Residential, and from Rural Residential to Open Space.

    - Density: Project density will be 25 townhouses/2.35 acres of residential development area, which is 10.64 housing units/acre. Therefore, the project will be consistent with the High-density Residential land use designation of 9-15 housing units/acre.

    - Open Space: The City's Parks Master Plan calls for the hillsides of this lot to be developed with trail systems or set aside as natural habitats or scenic view sheds. Conditions of approval require the developer to place a floating easement in the proposed Remainder Parcel (7.2+/- acres) to be rezoned as Open Space.

    - Traffic: Consistency with all of the General Plan policies is not a mandate for any proposed project. The project is consistent with the City's General Plan except for Circulation Element Action CA-150 which calls for LOS "C" or better and road intersections other than Scotts Valley Drive / Mt. Hermon Road and Scotts Valley Drive / Granite Creek Road. This inconsistency is because existing traffic conditions at Scotts Valley Drive / Victor Square are already below LOS "C", at LOS "E" and "F" during peak commuter hours in the morning (7:00-9:00AM) and evening (4:00-6:00PM), respectively. The project would result in an average increase delay of 6.4 seconds in the peak AM and 26.2 seconds in the PM.

2. **<u>Consistency with the City's Zoning Ordinance:</u>** The project will change some of the existing C-S zone to C-S/PD, R-1-20 zone to R-H/PD, and R-R-2.5 zone to OS/PD. The Planned Development District Overlay and Permit (PD) allow development to be designed to meet the needs of the project and property. The PD will be an overlay zone to the proposed base zoning districts.

   The PD will include exceptions to: townhouse building heights of approximately 36-40+/- feet (where 35 feet is allowed); reduced garage sizes of 21 feet x 21 feet (where 22 feet x 22 feet is only required for single-family houses); reduced front setback for part of the commercial building of 13 feet-10 inches (where 20 feet is required); and various reduced setbacks for the townhouses.

3. **<u>Road:</u>** In general, City has not accepted offers of road dedications because of budget constraints to maintain them, and those streets have remained as privately owned and maintained. In 1979, a previous developer of a Dunslee Way subdivision offered to dedicate the existing southern ½ of Dunslee Way to the City, which the City did not accept. Therefore, the southern ½ of Dunslee Way has remained a privately owned and maintained street. For possible future development on the subject parcel, the City required the same developer to add the northern ½ of a right-of-way (23-feet wide street easement) on the subject property.

   The applicant proposes to dedicate the remaining ½ of Dunslee Way to the City and to pay and improve the street to City standards. There are three options to cover costs of maintaining the street:

   - <u>Public Street Maintained by an Assessment District or the Project Home Owners Association (HOA):</u> The City will consider accepting the dedication and making Dunslee Way a public street; but, prior to acceptance of the dedication, the applicant must improve the existing southern ½ of Dunslee Way to current standards and extend the roadway by 7, 15, and approximately 37 feet to the north, as shown on Project Sheet TM-04. Once accepted by the City, the cost to maintain the roadway would be borne by the property owners either through an assessment district or through the homeowners' association. City staff recommend this option.

   - <u>Private Street Maintained by Neighbors and the Project HOA:</u> The City would refuse the offer of dedication. Existing property owners and future project residents would be responsible for maintaining the improved street.

   - <u>New Street on Subject Property:</u> The City would refuse the offer of dedication and Dunslee Way would remain as-is (½ of a street). This would require the applicant to locate a street within the project site, which is contrary to City policies for limiting the creation of new small roads off Scotts Valley Drive. City staff do not recommend this option.

4. **Parking:** For new housing units in the R-H zone, the City's Municipal Code requires two (2) covered or uncovered parking spaces per unit, plus one additional space for every five (5) units. Therefore, the required parking for the proposed 25 townhouses is 55 covered or uncovered spaces located on the subject property, per City Municipal Code Section 17.44.030F. Proposed parking consists of the following:

   - On-Site (Total of 69 spaces): Each townhouse will have a 2-car garage (21 interior feet x 21 interior feet) which provides 50 spaces, plus 19 uncovered surface spaces (3 spaces at the end of the cul-de-sac near Building 1 and 16 spaces facing the north property line). The proposed 69 spaces exceeds the minimum 55 spaces required.

   - Street (Total of 8 spaces): Within the proposed street improvements, the developer will provide eight (8) parallel parking spaces as public parking. Currently, some of the existing residents on Dunslee Way park on the subject property.

   - Overflow in Commercial Parking Lot (Total of 9 out of 32 spaces): In the past 8 years, to meet needs of individual developments/properties, similarly-designed subdivisions have been approved with varying parking amounts and requirements (e.g., restrictions of number of cars per unit, parking easements on adjacent commercial parcels, etc.) via the Planned Development process.

     Because there has been an increase in parking complaints from similar developments and a resulting drain on City Departments, there are concerns about providing adequate guest parking for project which that have garage-fronted designs, no typical 2-car driveways, and narrow streets without street parking.

     To address the drain on City Departments and Police Department resources in handling the high amount of parking complaints and disputes, the applicant has offered a parking easement to allow guests of project residents to park on the adjacent proposed commercial lot, after typical business hours to be determined. The proposed amount of guest parking should be a minimum of 9 spaces, which would ensure one (1) guest parking space per townhouse. In addition, the applicant proposes to restrict the use to office and/or retail and prohibit a restaurant, to help the use of parking lot after typical business hours.

5. **Design Review:** New construction in the C-S and R-H zoning districts require Design Review approval to ensure that development is consistent with the City-adopted *Commercial and Industrial Design Review Guidelines* and design review criteria in City Municipal Code Section 17.50.030B1-8.

   - Prominent Ridge and Feature: The property is located within a mapped area designated as a prominent ridge and feature. The ridge reaches its apex east of Cadillac Drive, west of the proposed development. Relevant General

6

Plan polices require structures to be located below the ridge (OSA-375), critical review of visual resources (OSA-388), and native plants to integrate the man-made environment into the natural backdrop and to screen or soften the visual impact (OSA-389). The development is located well below the ridge. The buildings will be well-designed with a variety of quality exteriors and finishes to create visual interest, consistent with the *Guidelines* and design review criteria.

Although the proposed project will not block any designated scenic vista, project conditions may require additional landscape screening to soften the appearance and integrate the walls into the natural setting of the site.

- Exterior Lighting: The proposed level of luminance should not adversely affect the project residents of the townhouses and existing neighbors across the street. To ensure lighting harmony with existing residences across Dunslee Way, project-specific conditions require the developer to use shields on the light poles and reduce the pole height to 12 feet, consistent with the adjacent Woodside subdivision and City policies and design guidelines for lighting to be at the lowest level and carefully controlled for security, aesthetics, safety and identification without interfering with nearby land uses. Two bollard light poles will produce a small area "hotspot" of more light. Project conditions require a lower wattage of lightbulb (lamp) for those two bollards.

6. **Affordable Workforce Housing:** The project site is located within the City's Redevelopment Plan Area, which requires at least 15% of the housing units to be designated as affordable units. Therefore, of the proposed 25 units, the project is required to provide three (3) units and pay in-lieu fees of 0.75 of a unit. The sale and resale prices are restricted over a 55-year period to provide housing opportunities to qualifying first-time-buyer households.

   The income-levels of the units requires review and recommendation by the City Council affordable Housing Subcommittee. Before City Council review, the applicant shall submit the proposed income-levels for the proposed three (3) and 0.75 of a unit for review by the City Council Affordable Housing Subcommittee for recommendation to the City Council.

ENVIRONMENTAL REVIEW

A Mitigated Negative Declaration has been prepared for the proposed project based on the analysis of the Initial Study (IS/MND), consistent with the California Environmental Quality Act (CEQA). Staff's review of the technical studies and recommendations from the studies have been made into "mitigation measures" to address potential project impacts to: air quality, biological resources, cultural resources, geology and geophysics, hazards/hazardous materials, hydrological resources and drainage, and noise. Short-term and long-term effects of the project will be less than significant.

The IS/MND was distributed for a 20-day public review period during 10/11/16 to 5:00PM on 10/31/16. A copy was provided to reviewing agencies, Planning Commission, City Council, and made available at City Hall and on the City's website at the link below: http://www.scottsvalley.org/planning/Dunslee_Way_Planned%20Development.html

During the public review period, the City received one (1) written comment: a letter from an adjacent property owner at the end of Dunslee Way. The letter plus staff's email response answering the questions are attached.

1. **Kathy Woods, Adjacent Property Owner on Dunslee Way:** In a letter date 10/31/16, Ms. Woods expressed objections and concerns about traffic levels, ingress & egress, parking & population. Ms. Woods recommends that the City require at least four (4) parking spaces per unit. Since the letter, the applicant has talked with Ms. Woods to address concerns; an update will be provided at the November 17, 2016, public hearing.

All comments received on the IS/MND were reviewed and considered by the City. The City determined that in no instance did the comments result in the identification of a new or previously unidentified significant adverse impact to the environment.

PUBLIC NOTICE AND COMMENT

On October 11, 2016, a Notice of Intent to adopt a Mitigated Negative Declaration and a Public Hearing Notice were posted at City Hall, the Scotts Valley Branch Public Library, and the Scotts Valley Senior Center, and were mailed to surrounding property owners located within 300 feet of the subject property, pursuant to State law. After the public review period of the IS/MND closed on 10/31/16, the City received three (3) communications on the proposed project:

1. **Tom Martindale, Adjacent Property Owner on Dunslee Way:** In an email dated 10/19/16, Mr. Martindale asked questions about the proposed street width, street parking, changes to the south side of the street, storm drainage, disposition of Dunslee Way, and construction time line. The email and Planning Department email response answering the questions are attached.

2. **Sherry Woo, City Resident:** In an email dated 10/31/16 (at 10:08PM after the 5:00PM closing date of the MND), Ms. Woo expressed opposition to the proposed planned development which changes the existing low-density and rural residential uses. The email and Planning Department email response confirming that the comment would be provided to the Planning Commission are attached.

3. **Ron Woll and Monica Lussier, Adjacent Property Owners on Cadillac Drive:** In a conference call with Planning Department staff on 11/02/16, Mr. Woll and Ms. Lussier asked questions about the open space zone, the Parks Master Plan, and the proposed open space parcel. The email and Planning Department email responses answering the questions are attached.

FINDINGS

Based upon the MND and review of the submitted technical reports, staff believes that the required findings can be made to certify the Mitigated Negative Declaration and approve the requested planning permit applications, subject to Mitigation Measures (Exhibit A), Conditions of Approval (Exhibit B), and approve the Findings in the attached Parks & Recreation Commission Staff Report. Please note that the findings for the planning permit applications will be provided by 11/15/16.

CONCLUSION

The proposed project would be and infill project of an underused parcel on the City's second commercial corridor. The proposed design and zoning follow a similar the development pattern on the west side of Scotts Valley Drive.

ATTACHMENTS **PAGE #**

* *Please note that a hard-copy is available to review in the lobby at City Hall, Monday-Thursday 8AM-12PM and 1PM-5PM, at One Civic Center Drive, Scotts Valley. An digital copy is also available on the City's website at the link below:*

http://www.scottsvalley.org/planning/Dunslee_Way_Planned%20Development.html

Please call the City at (831) 440-5630 if you have any questions.

8a

City of Scotts Valley
PARKS & RECREATION COMMISSION
STAFF REPORT

DATE: November 17, 2016

TO: Honorable Mayor and City Council

FROM: Scott Hamby, Public Works Director

SUBJECT: **Proposed Development Park Recreation or Open Space - In Lieu Fees**

SUMMARY OF ISSUE

A local developer is proposing to build 25 townhouses and a 5,000 square foot commercial building at the corner of Dunslee Way and Scotts Valley Drive. Pursuant to the City of Scotts Valley Municipal Code (the "Muni Code"), Title 16, Chapter 16.35 - Dedication of Land for Park and Recreational Purposes, as a condition of approval of a final map or parcel map, the subdivider shall dedicate land, pay a fee in lieu thereof, or both at the option of the City, for park or recreation services. For this project, because the development is for fewer than 50 parcels, the development must pay a fee based on the unimproved assessed fair market value at the time of filing the tentative map or upon independent appraisal (to be paid by the subdivider) of the land required to meet the needs of the project.

The amount of land required to meet the needs of the project is calculated using a formula within Chapter 16.35 of the Muni Code. For this proposed project, the minimum amount of land to be dedicated for open space is 19,602 square feet or 0.45 acres.

The developer can get partial credit (up to 50%) against the required fee for the development of open space if private parkland is provided within the development and those certain findings outlined in Section 16.35.090 of the Muni Code can be met. As proposed, the development has 23,200 square feet or 0.53 acres of land developed as park facilities. Based on that, the findings in Section 16.35.090 can be met as outlined below:

A. The yards, court areas, setbacks, and other open areas required to be maintained by the zoning and building ordinances and regulations are not included in the computation of such private open space; and

B. That the private ownership and maintenance of the open space is provided for in the Covenants, Conditions and Restrictions to be recorded on the property (the "CCRs"); and

C. The use of the private open space is restricted for park, recreation and open space purposes by the CCRs, which run with the land in favor of the future owners of the property and which cannot be defeated or eliminated without the consent of the City; and

D. The proposed private open space is reasonably adaptable for park, recreation and open space purposes, consistent with the factors detailed in Section 16.35.080 because it is a flat park like area with landscape park-like and quiet areas including a yoga area, is consistent with general plan, preserves natural resources by leaving the area in its natural state and provides outdoor recreation opportunities; and

E. The facilities proposed for the open space are in substantial accordance with the following provisions of the open space, recreation and conservation element of the general plan: OSO-361- designate open space where its use will conserve and maintain the scenic, tranquil and spacious qualities of the neighborhood and PRA-625- will locate and develop a park and recreation facility to preserve and enhance natural open space and scenic resources; and

F. The private park and recreational facilities for which credit is given meets the minimum criteria of the ordinance in that the project includes .53 acres of landscape park-like and quiet area walking path and yoga area.

The provision of the park area in the project meets the requirements to justify giving the developer a 50% credit against the required parkland fees.

FISCAL IMPACT

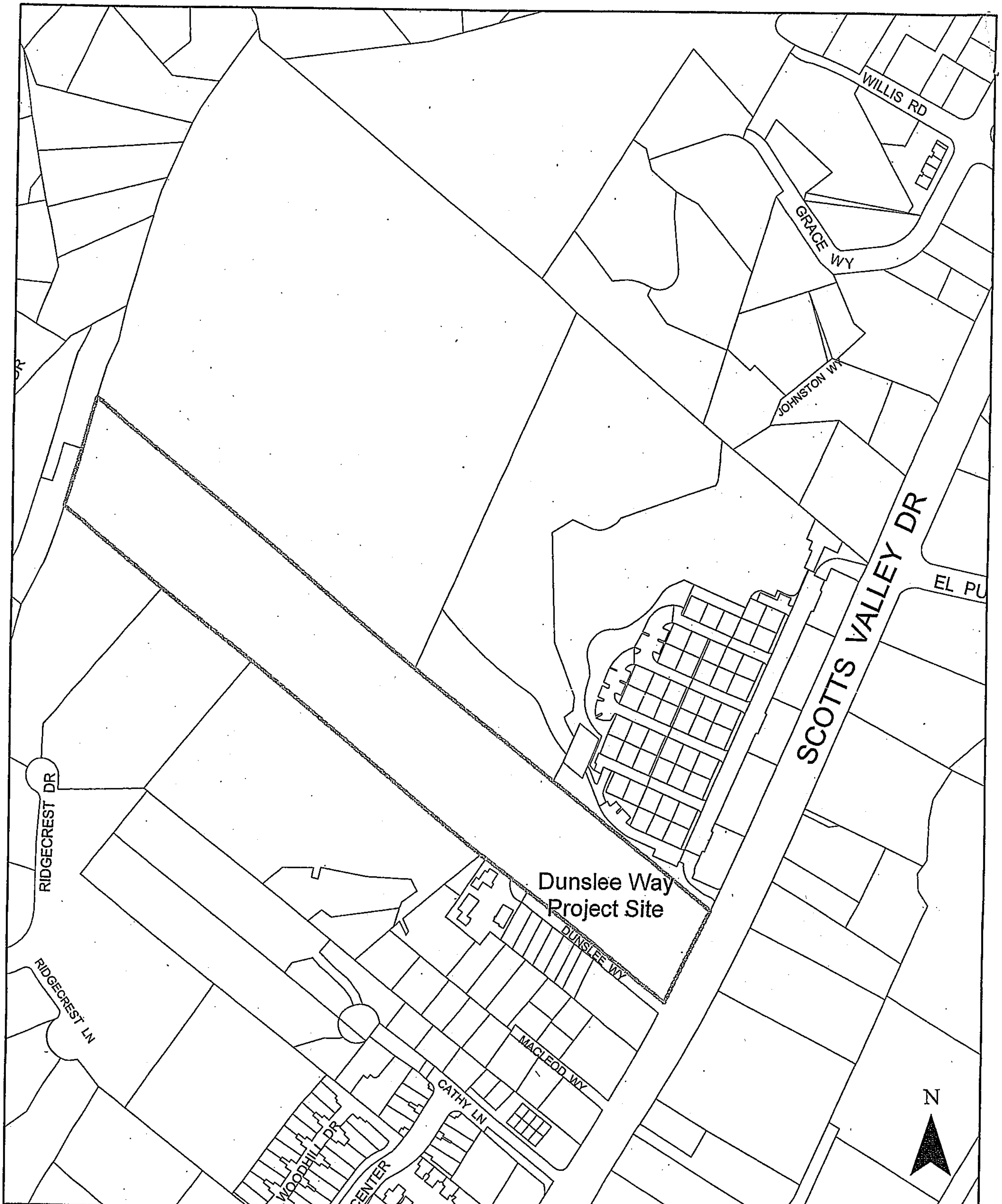
Developer will receive partial credit, not to exceed 50% of the fees owed to the City for parks and recreational services. Credit is based on the fair market value of the open space offered for dedication. The money collected at the time of filing the tentative map or upon independent appraisal is only to be used for the purpose of providing park, recreation and open space land or facilities.

STAFF RECOMMENDATION

It is recommended that the Parks and Recreation Commission accept staff's findings that the proposed project meets the conditions for offering private open space for park, recreation and open space purposes pursuant to City of Scotts Valley Municipal Code, Title 16, Chapter 16.35.

TABLE OF CONTENTS

K. Location Map



Michelle Edwards

From: Michelle Edwards
Sent: Wednesday, October 19, 2016 4:11 PM
To: 'JoAnn Martindale'
Subject: RE: Dunslee Way - Questions

Hi Tom,

Please see staff replies below.

Michelle Edwards
Senior Planner
Direct: (831) 440-5632
Email: mfodge@scottsvalley.org

City of Scotts Valley
Planning Department
One Civic Center Drive
Scotts Valley, CA 95066
Office: (831) 440-5630
Fax: (831) 438-2793
Website: www.scottsvalley.org

From: JoAnn Martindale [mailto:2Joannm@comcast.net]
Sent: Wednesday, October 19, 2016 3:15 PM
To: Michelle Edwards
Subject: dunslee way

Hello, I own #21 Dunslee way, Would you please answer a few questions for me re. the planned development.

1. what will be the width of the street? **[Planning Dept]** Near Scotts Valley Drive, street width on plans is 34 feet, which includes sidewalk on north side of street). Near end of Dunslee Way, street width on plans is 42 feet, which includes sidewalk on north side.

2. will there be street parking on the north side only? **[Planning Dept]** Yes, plus more spaces within the project site.

3. will there be any change in the street on the south side? **[Planning Dept]** If the City accepts the proposed dedication of the street, the street must meet applicable Public Works Dept standards.

4. will the street have storm drains? **[Planning Dept]** One storm drain inlet is proposed on Dunslee Way, which will connect to the proposed drainage system to connect to the City's existing storm drain system within Scotts Valley Drive.

5. will Dunslee become a city street? **[Planning Dept]** That is what the project proposes/requests.

6. any idea of the timetable for starting const.? **[Planning Dept]** Sometime next year.

Thank you very much, Tom Martindale

Michelle Edwards

From: Michelle Edwards
Sent: Monday, November 07, 2016 5:12 PM
To: 'kwqueenbee@gmail.com'
Subject: Dunslee Way - Response to Letter Received
Attachments: Dunslee Way - Received Letter 2016-10-31.pdf

Dear Kathy,

This email is a follow-up to your counter visit on 10/31/16 and your attached letter (dated 10/26/16) commenting on the proposed commercial residential development on Dunslee Way. Please note that your comments will be forwarded to the Planning Commission in the staff report that will be prepared for the proposal.

Traffic

- Traffic Trips: The traffic impact study analyzed the commercial building as a possible restaurant (worst-case scenario), which is one of the busiest types of uses. The developer proposes an office and/or retail uses. Therefore, anticipated trips will be much less. Future use of the commercial building must comply with Service-Commercial (C-S) zone and other applicable parts of the City's Municipal Code.
- Developer's Report: The Planning Department prepared the Initial Study and Mitigated Negative Declaration for the proposed project.
- Levels of Traffic: The existing intersection of Scotts Valley Drive/Victor Square currently operates at levels of service E and F during peak hours in the morning (7-9AM) and evening (4-6PM), respectively. Public Works Department and its traffic consultant reviewed the traffic study and agreed with the study findings that existing conditions plus the project will not be a significant increase.

Ingress & Egress

- Access: In 1979, the City required a previous developer on Dunslee Way to dedicate a 23-feet wide right-of-way for future access to the subject property. Therefore, access to the subject property on Dunslee Way was anticipated. City policies call for limiting the number of new driveway cuts and new roads off Scotts Valley Drive.

Parking & Population

- On-site Guest Parking: The proposed project will provide 19 on-site surface parking spaces: 3 at the end of the cul-de-sac and 16 along the north property line, as shown on the provided Sheet TM-04. The proposed 19 spaces exceed the minimum required of 5 spaces. Via a parking easement, the developer proposes to allow project residents to park in the commercial parking lot. City Departments believe that the proposed amount of parking should be adequate. The Planning Commission will review the proposal and make a recommendation to the City Council who will take final action at a future public hearing to be scheduled.
- Street Parking: The proposed project will provide 8 parallel parking spaces on Dunslee Way that will be available to the public and are not considered as project parking.
- Woodside Parking: Project residents may park in the commercial parking lot via recorded easements that were part of the project approvals.
- Requested Parking: Your request for the developer to provide 4 spaces per unit will be forwarded to the Planning Commission in the staff report that will be prepared for the proposal.
- Population: The U.S. Census data for Santa Cruz County was used (approximately 68 persons), plus an expanded range of approximately 87 persons if each bedroom is occupied with one person.
- Quit Claim: The note on the plans refers to the existing 23-feet wide right-of-way located on the subject property - not the existing right-of-way of Dunslee Way.

Planning Department will also provide a copy of this email to the applicant and property owner.

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Michelle Edwards
Senior Planner
Direct: (831) 440-5632
Email: mfodge@scottsvalley.org

City of Scotts Valley
Planning Department
One Civic Center Drive
Scotts Valley, CA 95066
Office: (831) 440-5630
Fax: (831) 438-2793
Website: www.scottsvalley.org

Kathy Wood
33 Dunslee Way
Scotts Valley, CA 95066
831-234-9817

RECEIVED
OCT 31 2016
CITY OF SCOTTS VALLEY

October 26, 2016

My objections to the "Dunslee Way Planned Development" and my request for mitigation of my objections follows:

I. Objection: the development will increase traffic on Dunslee Way by ten times.

A. The developer's own report lists 782 additional trips per day!

B. Allows developer to build 25 townhomes, mostly 3 stories each without using his property for access.

C. Puts the burden of a busy street onto the 10 homeowners on Dunslee Way, not the development's 25 townhomes.

D. Traffic, parking and noise become the homeowners of Dunslee Way's problems.

E. Dunslee Way already has a parking problem and arguments have occurred regarding parking in the street.

F. Dunslee Way already has 10 homes and one daycare building.

G. The planned development includes 25 townhomes, 3 and 4 bedrooms. The estimated occupancy = 2.72 persons/unit x 25 = 67.5 people. The estimate of 68 persons living in project is considered high density housing.

H. From the developer's report: **"Given the proposed bedroom mix, the project could result in 87 more persons if each bedroom and den is occupied by one person".**

II. There is already ingress and egress in place on the vacant lot that the developer owns.

A. Why doesn't the developer use his own property?

1. Using Dunslee Way allows the Developer to build more homes without using his property for ingress and egress which increases his profit.

2. The City appears to support the development because it receives more revenue with greater density.

Solution: I request that the developer provide his own ingress and egress for the residents of his project off of Scotts Valley Drive instead of using Dunslee Way which is not a part of his property.

III. Objection: there are not enough parking spaces allocated for the new homes.

A. There are two parking spaces per unit (garage) for a total if 50 spaces.

B. There are 19 guest parking spaces of which only 13 spaces are on the developer's property. The remaining six parking places as proposed by the developer appeared to be taken from the residents of Dunslee Way. According to the site plan, (see attachment A-1) the developer is planning on using six of the eight parking spaces that would be created by the road widening. As Dunslee Way exists now, the existing residents can park twelve cars on Dunslee Way. After widening, the residents will only have two parking spaces. (Eight spaces created - six spaces are allocated for the development = two spaces remaining). So the residents will actually lose ten parking spaces! This street has already experienced disputes over parking that required calling the Scotts Valley Police to intervene. You can bet that the eight spaces on Dunslee Way will be in hot demand, "first come, first served" and that fights over "my spot" will occur.

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C. It is also a reality that some owners of the proposed development will rent out a bedroom (or two) this is common in Santa Cruz County. These renters will need parking.

D. I have experienced the problem of too little parking first-hand at Sea Breeze condominiums in Aptos for 32 years. It is a continuous problem that could have been avoided with proper planning (more parking) and fewer units.

E. The adjacent development of Woodside has 3.52 spaces/unit, MORE spaces than is being proposed for Dunslee way (2.72 spaces/unit). They are already experiencing major shortages of parking, with the owners resorting to parking in the commercial section. There is mention of a "high-turnover restaurant" in the new commercial building. This completely eliminates any notion of Dunslee Way development residents parking in their lot.

F. It seems that the short term greed of the developer is winning out over realistic and proper urban planning by the City of Scotts Valley and over the concerns of the police department, who have to intercede when fights erupt over limited parking.

G. The estimate of 2.72 persons per home is unrealistic and parking needs to increase to match reality. The average household size for Santa Cruz County of 2.72 persons was quoted from the developer's building proposal. This average household size is not accurate. People do not buy 3 and 4 bedroom homes for 2.72 people. The developers own report states that if the rooms were filled there would be 87 residents which is 3.48 residents/unit. Realistically most master bedrooms will have two occupants which will further raise the occupancy total.

E. Four parking spaces per unit matches the reality of the Santa County housing situation and that is what I am requesting.

Solution: I request that the developer provide 4 parking spaces per unit on his own property!

IV. Objection: the developer's own impact report says that traffic at Scotts Valley Drive and Victor Square will be at "unacceptable levels now and in the future" and gives it a flunking grade of "F" for level of service.

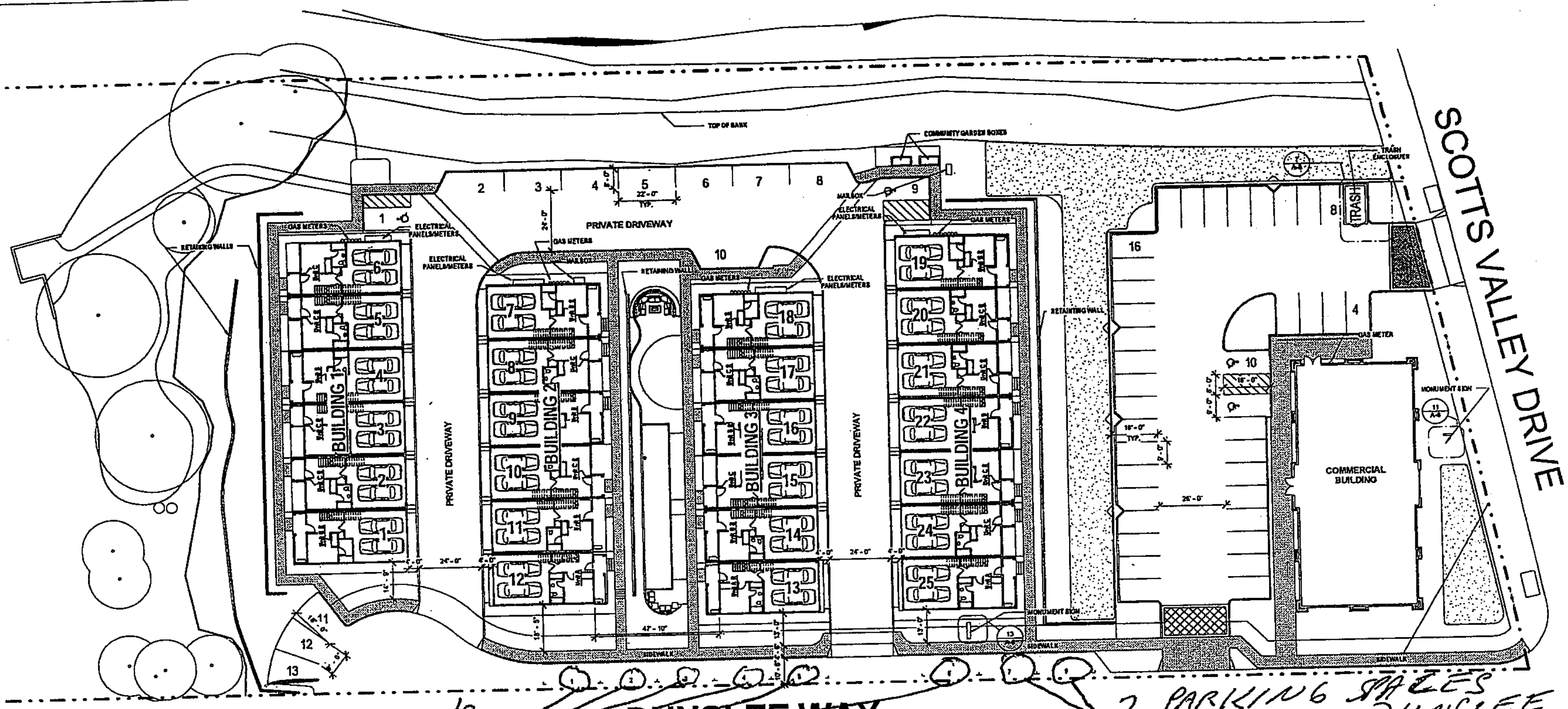
Solution: It is the responsibility of the City of Scotts Valley to respect the objective analysis of consultants and to REJECT proposals that create traffic gridlock.

V. Objection: This project, as designed, depends upon the cooperation of the Dunslee Way Homeowner's Association to quitclaim our portion of Dunslee Way. We have no intention of quitclaiming anything.

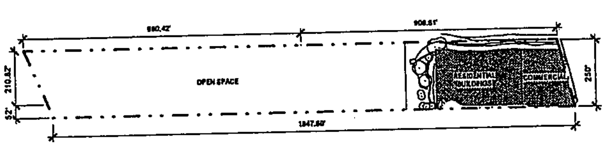
Solution: Redesign the project to not include any of the Dunslee Way HOA owned property!

Thank you,

Kathy Wood



1 MASTER SITE PLAN
Scale: 1" = 20'-0"



2 KEY PLAN
Scale: 1" = 200'-0"

PROJECT DATA:

APN: 022-45-01
LOT SIZE: 10.41 ACRES

GROSS BUILDING AREA:

BUILDING 1:		
0 – UNIT A @	1,702 SF =	0 SF
2 – UNIT B @	2,339 SF =	4,678 SF
4 – UNIT C @	2,534 SF =	10,136 SF
BUILDING 1 – TOTAL AREA:	=	14,814 SF
BUILDING 2:		
1 – UNIT A @	1,702 SF =	1,702 SF
3 – UNIT B @	2,339 SF =	7,017 SF
2 – UNIT C @	2,534 SF =	5,068 SF
BUILDING 2 – TOTAL AREA:	=	13,787 SF
BUILDING 3:		
1 – UNIT A @	1,702 SF =	1,702 SF
3 – UNIT B @	2,339 SF =	7,017 SF
2 – UNIT C @	2,534 SF =	5,068 SF
BUILDING 3 – TOTAL AREA:	=	13,787 SF
BUILDING 4:		
1 – UNIT A @	1,702 SF =	1,702 SF
2 – UNIT B @	2,339 SF =	4,678 SF
4 – UNIT C @	2,534 SF =	10,136 SF
BUILDING 4 – TOTAL AREA:	=	16,516 SF
COMMERCIAL BUILDING: 50' X 100'	=	5,000 SF
ALL BUILDINGS – TOTAL GROSS AREA	=	63,904 SF

UNIT TYPE COUNT:

UNIT A:	3 UNITS	3 BD / 2 BA
UNIT B:	10 UNITS	3 BD / 2-1/2 BA
UNIT C:	12 UNITS	4 BD / 3-1/2 BA
TOTAL UNITS:	25 UNITS	

PARKING COUNT:

COMMERCIAL BUILDING LOT:	36 STANDARD + 2 ADA	= 38 SPACES
TOWNHOMES – 25 UNITS:	2 – CAR GARAGE / UNIT	= 50 SPACES
TOWNHOME GUEST PARKING:	19 STANDARD + 2 ADA	= 21 SPACES
ON-STREET PARKING:	8 STANDARD	= 8 SPACES

STUDIO CURRENT

Project:
DUNSLEE WAY, LLC.
SCOTTS VALLEY, CA
Consultant

PD/DESIGN REVIEW SET
JULY 23, 2015

Revision
No. Date

Stamp
LICENSED ARCHITECT JEFFREY R. CURRENT C 19444 STATE OF CALIFORNIA

Sheet Information

Issue Date	07/23/2015
Job Number	14-045
Drawn	SA
Checked	ST
Approved	JC
Scale	As indicated

Sheet Title
ARCHITECTURAL SITE PLAN

A-1

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Michelle Edwards

From: Michelle Edwards
Sent: Tuesday, November 01, 2016 10:39 AM
To: 'Sherry Woo'
Subject: RE: Dunslee Way Planned Development - Intent to Adopt a Mitigated Negative Declaration

Dear Sherry,

The Planning Dept has received your comment on the proposed project.

The comment will be forwarded to the applicant and will be included in the staff report to the Planning Commission, who will make a recommendation on November 17th to the City Council for their decision at a future public hearing to be scheduled.

Please give us a call if you have any questions.

Michelle Edwards
Senior Planner
Direct: (831) 440-5632
Email: mfodge@scottsvalley.org

City of Scotts Valley
Planning Department
One Civic Center Drive
Scotts Valley, CA 95066
Office: (831) 440-5630
Fax: (831) 438-2793
Website: www.scottsvalley.org

From: Sherry Woo [mailto:sherry.c.woo@gmail.com]
Sent: Monday, October 31, 2016 10:08 PM
To: Michelle Edwards
Subject: Dunslee Way Planned Development - Intent to Adopt a Mitigated Negative Declaration

I oppose the proposed planned development which deviates from the low density and rural residential use.

Sherry Woo
15 MacLeod Way
Scotts Valley, CA
831.439.8843

Michelle Edwards

From: Michelle Edwards
Sent: Wednesday, November 02, 2016 1:42 PM
To: 'Ron Woll'
Subject: Dunslee Way - Conference Call Follow-up
Attachments: Parks Master Plan Adopted March 1996.pdf; Chapter 17.32 072303.pdf

Dear Ron and Monica,

Follow-up to your questions about the proposed development during our conference call this morning:

- What does Open Space mean? The proposed Open Space (OS) zone means that parcel will be subject to the OS district regulations (attached).

- Parks Master Plan (PMP) (Adopted March 1996): Please see page 1 of the PMP (attached) for the purpose and function of the PMP. (Please ignore arrows on certain pages; they are notes regarding a different project). Page 25 gives a general description of the intended types of open space and locations. For this property, the PMP calls for trail systems, or set aside as natural habitats or scenic view sheds. The staff report to the Planning Commission will include a recommended condition to require an easement for these open space uses.

- Open Space Parcel: Sheet TM-04 (see link below) includes a note "parcel to be retained by owner". Staff will confirm the proposed disposition of the Open Space parcel, and if there are reasons why the owner wishes to retain it. http://www.scottsvalley.org/downloads/planning/Dunslee_Way_Planned_Development/Plans-1TM_Set_2016-09-12.pdf

Please forward this email to Monica Lussier. As I mentioned in subsequent phone call, this email will be forwarded to the project applicant Corbett Wright (and property owner Maryln Bergman).

If there are any other questions, please give us a call.

Michelle Edwards
Senior Planner
Direct: (831) 440-5632
Email: mfodge@scottsvalley.org

City of Scotts Valley
Planning Department
One Civic Center Drive
Scotts Valley, CA 95066
Office: (831) 440-5630
Fax: (831) 438-2793
Website: www.scottsvalley.org

From: Ron Woll [mailto:wollron@gmail.com]
Sent: Tuesday, November 01, 2016 7:20 PM
To: Michelle Edwards
Subject: Meeting.(Dunslee Way)

Michelle,

Can we meet tomorrow (Wednesday, 2 Nov) to discuss a few things regarding the Dunslee Way development. Ms. Monica Lussier and myself are available at 9:00 AM or later (until ~noon). I can be reached at the cell number below or return e-mail. Thanks Ron

Ron Woll
408 489 2688
quidquid Latine dictum sit altum videtur
Always remember that you're unique. Just like everyone else.
"He has all the virtues I dislike and none of the vices I admire." - Winston Churchill
What do you call someone that finally stands up to a bully?
An ambulance..
Semper ubi, sub ubi.

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Michelle Edwards

From: Michelle Edwards
Sent: Monday, November 07, 2016 10:43 AM
To: 'Ron Woll'
Subject: RE: Dunslee Way - Ownership of the Proposed Open Space Parcel

Hello Ron and Monica,

Follow-up to the question about why the property owner wishes to keep the proposed Remainder Parcel:

Staff talked with the applicant. The Remainder Parcel (7.2 acres) is proposed to be rezoned to Open Space (OS), will not be a future home site, and will be owned and maintained by the current property owner as a buffer to his existing single-family residence. Parcel L (0.24 acre) will maintain its current single-family residential zone (R-1-20) and will be transferred to the property owner's residence.

Please forward this email to Monica Lussier.

Michelle Edwards
Senior Planner
Direct: (831) 440-5632
Email: mfodge@scottsvalley.org

City of Scotts Valley
Planning Department
One Civic Center Drive
Scotts Valley, CA 95066
Office: (831) 440-5630
Fax: (831) 438-2793
Website: www.scottsvalley.org

From: Michelle Edwards
Sent: Wednesday, November 02, 2016 1:42 PM
To: 'Ron Woll'
Subject: Dunslee Way - Conference Call Follow-up

Dear Ron and Monica,

Follow-up to your questions about the proposed development during our conference call this morning:

- What does Open Space mean? The proposed Open Space (OS) zone means that parcel will be subject to the OS district regulations (attached).

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City of Scotts Valley
CITY COUNCIL STAFF REPORT

DATE: December 7, 2016

TO: Honorable Mayor and City Council

FROM: Scott Hamby, Public Works Director

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **INTRODUCTION OF ORDINANCE 191 AMENDING TITLE 8 OF THE CITY'S MUNICIPAL CODE BY ADDING CHAPTER 8.38 PERTAINING TO THE EXTENDED PRODUCER RESPONSIBILITY AND SAFE COLLECTION OF UNWANTED PHARMACEUTICALS AND HYPODERMIC NEEDLES (SHARPS)**

SUMMARY OF ISSUE

Since 2008, the City has participated in a voluntary publically funded collection program for unwanted pharmaceutical products. Under the existing program, there are four locations within Scotts Valley to dispose of unwanted pharmaceuticals (drugs) and spent hypodermic needles (sharps). This program is currently managed by the County of Santa Cruz; the City of Scotts Valley pays the County $5,000 annually to administer the program within the City. This fee includes the collection of pharmaceuticals and sharps by a certified collector (Sharps-Solutions).

Over the past several years, the City has worked with the County and other local cities to establish a more efficient and permanent system to collect unwanted pharmaceuticals. The agencies recently developed a proposed Product Stewardship Program, which appropriately shifts the responsibility to divert unused pharmaceuticals and sharps from local government to private businesses with extended producer responsibility. The program would be implemented by the Med-Project of Santa Cruz County, and be seamless to the public. Private businesses such as CVS and Walgreens currently participate in the County's voluntary pharmaceutical and sharps take-back program and would be made aware of program requirements.

Background

In 2012, Alameda County became the first local government in the United States to pass an ordinance requiring pharmaceutical companies to design, fund, and operate a program to safely collect and dispose of drugs. The Ninth Circuit Court of Appeal rejected a legal challenge to Alameda County's Ordinance brought by pharmaceutical trade associations and the U.S. Supreme Court subsequently declined to hear an appeal of this ruling. Since this time, the Counties of Santa Cruz, San Francisco, Marin, Santa Clara, San Mateo, Santa Barbara and the Cities of Santa Cruz and Capitola have all adopted similar ordinances.

On December 8, 2015, the Santa Cruz County Board of Supervisors passed an ordinance requiring the safe disposal of drugs and sharps and establishing a Product Stewardship Program to safely collect and dispose of unused/unwanted pharmaceutical and sharps waste from County residents. With this proposed ordinance the program will no longer be managed by the County of Santa Cruz or funded from public sources; the new program will be run as a manufacturer and/or producer funded program.

The Integrated Waste Management Local Task Force, of which the City is a member, developed the proposed ordinance to complement and be consistent with Santa Cruz County's Safe Disposal of Drugs and Sharps Ordinance (Santa Cruz County Code Chapter 7.95).

Should the City Council adopt this Ordinance to enact Extended Producer Responsibility (EPR) for pharmaceuticals and sharps in Scotts Valley, the City will enter a partnership agreement with Med-Project of Santa Cruz County, the designated stewardship organization. The proposed ordinance will require all drug producers to participate in a Product Stewardship Program; this will shift the City's current system from a government-funded program for the diversion of unused pharmaceuticals and sharps to one that relies on producer responsibility.

There are currently only two retailers (CVS and Walgreens) within the City who would be affected by the proposed Ordinance. Staff has reached out to each retailer to make them aware of the proposed new requirements. At this time, both of the retailers already participate in the County's voluntary pharmaceutical and sharps take-back program.

The need to adopt an EPR Ordinance to manage the safe and responsible disposal of unwanted pharmaceuticals and sharps is predicated upon the following:

- The growing awareness that traditional environmental protection policies focused solely on pharmaceutical and sharps production practices may no longer be adequate to protect the environment and the public health;
- The recognition of the shared responsibility of the producer at the post-consumer stage of their products life cycle;
- The currently limited participation of commercial producers in the costs of responsible disposal of the products at the post-consumer stages of the product's life-cycle;
- The damaging environmental consequences of unwanted pharmaceuticals in ground water, wastewater and drinking water sources;
- The public health consequences of sharps in public spaces.
- The consequences of unwanted pharmaceuticals and sharps ending up in the solid waste stream and the hazards to those working in public sanitation.

The Ordinance is lengthy so staff has summarized the noteworthy components:

Pharmaceutical and Sharps Producers and Retailers Requirements

- All pharmaceutical and sharps manufacturers and retailers must participate in a Product Stewardship Program, which in summary, means they must design, fund and operate in their own or joint program to safely collect and dispose of unwanted drugs and sharps.
- They must develop stewardship plans to ensure they comply with the above requirements, and submit their plans to the County/City for review and approval.
- Producers must submit an annual report to the County/City and revise their stewardship plans every three years.
- Producers must promote their plan to pharmacists, retailers of their products, health care providers and doctors and other prescribers of their products as the safe and proper method to store and dispose of unwanted products.
- Product retailers must provide a safe and convenient collection system for consumers' unwanted or spent products, either an on-site sharps and drugs collection system or mail-collection system.
- Sharps disposal containers will be required with all local sales of hypodermic needles.
- Producers and retailers are responsible for all costs of their programs.

City Role (to be carried out through coordination with the County of Santa Cruz)

- Under the City's oversight, the Med-Project of Santa Cruz County will be responsible for conducting a producer outreach and education program (an existing function that supports the current non-mandatory take-back program) and reviewing Product Stewardship Plans submitted by participating producers and retailers.
- Administrative fees will be assessed to all product manufacturers through the stewardship organization.
- Producers and local retailers of these products will have six months to become compliant and must provide an annual compliance report to the County/City.

Enforcement and Penalties

- The ordinance will be enforced under Federal Code Title 4, through the Scotts Valley Municipal Code Title 4.
- Non-compliant manufacturers and retailers will have their businesses published in the Federal Government's Significant Non-Compliance (SNC) list.
- Producers and local retailers are prohibited from charging consumers at point of sale or collection to recoup the cost of the Product Stewardship Program.
- The City has two retailers of products that would be subject to the terms of this ordinance.
- Any additional producers or local retailers that locate in Scotts Valley will be subject to this ordinance.

FISCAL IMPACT

Under the County's pharmaceuticals and sharps program, the City pays an annual fee of approximately $5,000. Should the Council approve and introduce the attached ordinance, the City would no longer be subject to the annual program cost. Through the new stewardship program, administrative fees would be assessed to all product manufacturers to recover any City staff time required to implement and/or oversee the program. Staff anticipates minimal staff hours for initial implementation and ongoing oversight.

STAFF RECOMMENDATION

It is recommended that Council approve and introduce Ordinance No. 191, an Extended Producer Responsibility (EPR) for pharmaceuticals and sharps in Scotts Valley.

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ORDINANCE NO. 191

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY ADDING CHAPTER 8.38 TO TITLE 8 OF THE SCOTTS VALLEY MUNICIPAL CODE REQUIRING THE SAFE DISPOSAL OF UNWANTED PHARMACEUTICALS AND HYPODERMIC NEEDLES

The City Council of the City of Scotts Valley hereby finds and declares the following:

WHEREAS, unwanted pharmaceuticals (drugs) and spent hypodermic needles (sharps) are necessary medical technologies which allow us to live longer, healthier and more productive lives and reduce suffering at the end of life; and

WHEREAS, the public, particularly children, the elderly and public employees, are at significant and unnecessary risk of poisoning and injury due to improper or careless disposal of drugs and sharps; and

WHEREAS, our groundwater and drinking water are being contaminated by unwanted, leftover or expired drugs passing through our wastewater treatment centers; and

WHEREAS, there is no mandatory statewide stewardship program for unwanted drugs or sharps in California, and manufacturers, retailers and producers have not offered any support for a permanent collection program to date; and

WHEREAS, although State law (California Health and Safety Code Section 118286) requires that home-generated sharps be transported to a collection center in sharps containers or other containers authorized by the local enforcement agency, and prohibits the loose disposal of home-generated sharps waste in trash or recycling containers, many people continue to dispose of contaminated sharps in a manner that increases the risk that others will come into contact with them; and

WHEREAS, the lack of sufficient safe, convenient disposal locations for leftover, expired, and/or unwanted drugs creates significant risks to human health and to the environment. As a result, leftover, expired, and/or unwanted drugs are often left in homes where they can be accidentally ingested or abused by children, adults, and the elderly, increasing the risk of poisoning, addiction, and death; and

WHEREAS, unwanted drugs are also often flushed down toilets or sinks. However, municipal wastewater treatment plants are not designed to remove the complex compounds in the drugs that end up in the sewer system. As a result, drugs can pass through wastewater treatment systems and contaminate receiving waters; and

WHEREAS, an Environmental Protection Agency report on drinking water released in December 2013 tested effluent samples from 50 large wastewater treatment plants nationwide for active pharmaceutical ingredients and metabolites. Out of the 63 total compounds tested for, 43 were detected in at least one of the samples and all samples were found to contain at least one pharmaceutical compound. The presence of pharmaceuticals in surface water is well documented to have ecological impacts, including negative effects on fish and other aquatic life; and

WHEREAS, establishing a safe, convenient collection and disposal system for leftover, expired, and unwanted drugs will reduce unintentional poisonings and drug overdose deaths by making drugs less accessible to persons who might accidentally ingest or abuse them; and

WHEREAS, establishing a safe, convenient collection and disposal system for leftover, expired, and unwanted drugs will also reduce the quantity of pharmaceutical compounds that are discharged into the Monterey Bay National Marine Sanctuary and other environmentally sensitive waters throughout the City; and

WHEREAS, Extended Producer Responsibility (EPR) laws, sometimes referred to as Product Stewardship laws, place responsibility for end-of-life management of consumer products on the manufacturers and producers of the products, while encouraging product design that minimizes negative impacts on human health and the environment at every stage of the product's lifecycle; and

WHEREAS, many local and national governmental bodies support EPR, including CalRecycle (formerly the California Integrated Waste Management Board), the National Association of Counties, and the National League of Cities; and

WHEREAS, California has passed four significant products stewardship laws for mercury thermostats (AB 2347, enacted as Chapter 572 of the statutes of 2008), carpet (AB 2398, enacted as Chapter 681 of the statutes of 2010), paint (AB 1343, enacted as Chapter 420 of the statutes of 2010) and mattresses (SB 254, enacted as Chapter 388 of the statues of 2013). All four laws require producers to establish and fund product stewardship programs for their waste streams; and

WHEREAS, in 2010, Congress passed the "Secure and Responsible Drug Disposal Act of 2010," Public Law No. 111-273, which authorized the Attorney General to expand the methods through which pharmaceuticals classified as controlled substances may be collected, including through collection at pharmacies. The goal of the bill was to increase opportunities for drug collection in order to reduce substance abuse, accidental poisoning, and the release of harmful substances into the environment. On October 9, 2014, the Drug Enforcement Agency promulgated regulations implementing that Act. These regulations, among other things, authorize retail pharmacies to maintain secure collection bins for controlled substances; and

WHEREAS, Mexico, a number of Canadian provinces, much of Europe and several other countries already have active, well-established EPR drug disposal programs in place. Many of the same drug companies that participate in these programs manufacture drugs sold in the United States; and

WHEREAS, in 2012, Alameda County became the first local government in the United States to pass legislation requiring pharmaceutical companies to design, fund, and operate a program to safely collect and dispose of unwanted drugs, similar to the take-back programs in Canada's pharmacies. On September 30, 2014, the Ninth Circuit Court of Appeal rejected a legal challenge to Alameda County's Ordinance brought by pharmaceutical trade associations. Pharm. Research & lvlfrs. Of Am. v. Cty. of Alameda, 13~16833, 768 F.3d1037 (9th Cir. 2014). The U.S. Supreme Court subsequently declined to hear an appeal of this ruling; and

WHEREAS, King County, Washington as well as the City and County of San Francisco and the Counties of Santa Cruz, San Mateo, Santa Clara, San Luis Obispo, Marin and the cities of Santa Cruz and Capitola have enacted similar ordinances requiring drug manufacturers to design, fund, and operate programs to safely collect and dispose of local residents' unwanted drugs and/or sharps; and

WHEREAS, beginning in 2008, the County of Santa Cruz has operated a voluntary County-funded collection program, pursuant to which the County of Santa Cruz and the City have been working together with the cities of Watsonville, Santa Cruz and Scotts Valley to provide a convenient and permanent system to collect unwanted pharmaceuticals. As of October 2015, this program consists of 46 locations at pharmacies, police departments, and sheriff's stations, which collect both controlled and non-controlled substances, as well as city and county household hazardous waste disposal sites. Participation in collection and disposal of unwanted drugs is still voluntary, resulting in a patchwork of businesses participating in one or both programs, leading to confusion among consumers and sometimes improper disposal in the wrong containers; and

WHEREAS, on December 8, 2015, the Santa Cruz County Board of Supervisors passed an Ordinance (Ordinance No. 5214, effective the 31st day after the date of final passage) requiring the safe disposal of drugs and sharps and establishing a Product Stewardship Program to safely collect and dispose of unused/unwanted pharmaceutical and sharps waste from county residents. This City's Ordinance is intended to compliment and be consistent with Santa Cruz County's Safe Disposal of Drugs and Sharps Ordinance (Santa Cruz County Code Chapter 7.95); and

WHEREAS, a manufacturer and/or producer-funded collection and disposal program in the City for unwanted drugs and sharps would significantly increase convenient disposal options for City residents' unwanted drugs and sharps, enabling collection of larger quantities of unwanted drugs and sharps and reducing risks to public safety, health, and the environment.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY AS FOLLOWS:
SECTION I

The Scotts Valley Municipal Code is hereby amended by adding Chapter 8.40 to read as follows:

Chapter 8.38 SCOTTS VALLEY SAFE DRUG AND SHARPS DISPOSAL

Sections:

SECTION II Conflict with State or Federal Law. This chapter shall be construed so as not to conflict with applicable federal, State, and/or Santa Cruz County laws, rules or regulations. Nothing in this chapter shall authorize any City agency or Department to impose any duties or obligations in conflict with limitations on municipal authority established by state or federal law at the time such agency or Department action is taken. The City shall suspend enforcement of this chapter to the extent that said enforcement would conflict with any preemptive State or federal legislation subsequently adopted.

SECTION III Severability. If any of the provisions of this chapter or the application thereof to any Person or circumstance is held invalid, the remainder of those provisions, including the application of such part or provisions to Persons or circumstances other than those to which it is held invalid shall not be affected thereby and shall continue in full force and effect. To this end, the provisions of this chapter are severable.

SECTION IV Environmental Findings. This chapter is entitled to a categorical exemption of the California Environmental Quality Act ("CEQA") pursuant to 14 California Code of Regulations sections 15307, which exempts "actions taken by regulatory agencies, as authorized by state or local ordinance, to assure the maintenance, restoration, enhancement, or protection of the environment where the regulatory process involves procedures for protection."

8.38.010 Purpose and Intent

The purpose of this chapter is to protect the health, safety and welfare of the public and of the environment by providing for the safe and orderly collection and disposal of drug and sharps waste and by placing responsibility for end-of-life management of drug and sharps products on the manufacturers and/or producers of the products, while encouraging product design that minimizes negative impacts on human health and the environment at every stage of the product's lifecycle.

8.38.020 Title

This chapter may be cited as the "Scotts Valley Safe Drug and Sharps Disposal Ordinance."

8.38.030 Definitions

For the purposes of this chapter, the following terms have the meanings given below.

A. “City Council” refers to the City Council of the City of Scotts Valley.

B. “City” means the City of Scotts Valley, California.

C. “Consumer Generators” means residents of single and multiple family residences or other locations who possess, dispose of and/or abandon household Covered Drugs or Sharps. "Consumer Generators" does not include airport security, drug seizures by law enforcement, pharmacy waste, business waste, or any other source identified by the Department as a non-consumer source.

D. “Controlled Substance” for purposes of this section shall mean any substance listed under California Health and Safety Code Sections 11053 through 11058 and/or Title 21 of the United States Code, Sections 812 and 813 or any successor legislation.

E. “Cosmetics” means (i) articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to, the human body, or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance, and (ii) articles intended for use as a component of any such articles.

F. “Covered Drug” means all brand name and Generic Prescription Drugs. Notwithstanding the foregoing sentence, “Covered Drug” does not include: (i) vitamins or supplements; (ii) herbal-based remedies and homeopathic drugs, products, or remedies; (iii) Cosmetics, soap (with or without germicidal agents), laundry detergent, bleach, household cleaning products, shampoos, sunscreens, toothpaste, lip balm, antiperspirants, or other personal care products that are regulated as Cosmetics under the Federal Food, Drug, and Cosmetic Act ("FFDCA") (21 U.S.C. Section 301 et seq. (2002)); (iv) Drugs for which Producers provide a take-back program as part of a Federal Food and Drug Administration managed risk evaluation and mitigation strategy (21 U.S.C. Section 355-1); (v) Drugs that are biological products as defined by 21 C.F.R. 600.3(h) as it exists on the effective date of this chapter if the Producer already provides a take-back program; and (vi) pet pesticide products contained in pet collars, powders, shampoos, topical applications, or other delivery systems.

G. “County” means the County of Santa Cruz, California.

H. “Department” means the City of Scotts Valley City’s Manager’s Department.

I. “City Manager” means the City of Scotts Valley City Manager or his or her designee.

J. “Drug Wholesaler” means a Person that sells or distributes Covered Drugs for resale to an Entity other than a consumer.

K. “Drugs” means: (i) articles recognized in the official United States Pharmacopoeia, the official National Formulary, the official Homeopathic Pharmacopoeia of the United States, or any supplement to any of them; (ii) articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in humans or other animals; (iii) articles, other than food, intended to affect the structure or any function of the body of humans or other animals; and (iv) articles intended for use as a component of any article specified in clause (i), (ii), or (iii) of this definition. Notwithstanding the foregoing sentence, “Drugs” does not include or mean medical devices, their component parts or accessories.

L. “Entity” means a Person other than an individual.

M. “Generic” means a Drug that is chemically identical or bioequivalent to a brand name Drug in dosage form, safety, strength, route of administration, quality, performance characteristics, and intended use, though inactive ingredients may vary.

N. “Hazardous Waste” means a “hazardous waste” as defined in the Federal Resource Conservation and Recovery Act (RCRA) of 1976, as amended (42 USCA § 6901 et seq.) and the implementing regulations (40 C.F.R. §§239 through 282), as amended. This waste includes, but is not limited to, bulk chemotherapy drugs, P-listed waste, U-listed waste and characteristic hazardous waste.

O. “Manufacture” means the production, preparation, propagation, compounding, or processing of Covered Drugs or Sharps but does not include the activities of a Repackager, Drug Wholesaler or medical practitioner who distributes or dispenses such substances or devices in the ordinary course of his or her professional practice or prepares, compounds, packages or labels such substances or devices.

P. “Manufacturer” means a Person engaged in the Manufacture of Covered Drugs or Sharps.

Q. “Mail-back Program” means a system whereby Consumer Generators of Unwanted Products obtain prepaid and preaddressed mailing envelopes in which to place Unwanted Products for shipment to an Entity that will dispose of them safely and legally.

R. “Medical Waste” means “Medical waste” as defined in Section 117690 of the California Health and Safety Code, as amended.

S. “Person” means an individual, firm, sole proprietorship, corporation, limited liability company, general partnership, limited partnership, limited liability partnership, association, cooperative, or other entity of any kind or nature, however organized.

T. “Pharmacy” means a place licensed by the State of California Board of Pharmacy where the practice of pharmacy is conducted.

U. “Plan” or “Product Stewardship Plan” means a product stewardship plan required under this chapter that describes the manner in which a Product Stewardship Program will be provided.

V. “Plan Operator” means the Person that develops, implements and operates a Product Stewardship Plan, including, but not limited to, a Producer or Stewardship Organization.

W. “Prescription Drug” means any Drug, including, but not limited to, any Controlled Substance, that is required by federal or state law, rule or regulation to be dispensed by prescription only or is restricted to use by practitioners only.

X. “Producer” shall be determined, with regard to Covered Drugs and Sharps that are sold, offered for sale, or distributed in the City as meaning one of the following:

1. The Person who Manufactures Covered Drugs or Sharps and who sells, offers for sale, or distributes Covered Drugs or Sharps in the City under that Person's own name or brand.

2. If there is no Person who sells, offers for sale, or distributes Covered Drugs or Sharps in the City under the Person's own name or brand, the Producer of Covered Drugs or Sharps is the owner or licensee of a trademark or brand under which the Covered Drugs or Sharps are sold or distributed in the City, whether or not the trademark is registered.

3. If there is no Person who is a Producer of Covered Drugs or Sharps for purposes of paragraphs (1) and (2), the Producer of Covered Drugs or Sharps is the Person who brings the Covered Drug into the City for sale or distribution.

Notwithstanding the foregoing, “Producer” does not include: (i) a Retailer or Repackager that only puts its label on a Covered Drug or Sharps; (ii) a pharmacist who dispenses Prescription Drugs to, or repackages or compounds a prescribed individual Drug product for a consumer; or (iii) a Drug Wholesaler who is not also a Manufacturer; or (iv) a veterinarian who sells Drugs or Sharps for animals provided the veterinarian has a program in place for the disposal of Drugs or Sharps for their own customer base.

Y. “Product Stewardship Program" or "Program" means a program financed, developed, implemented, and operated by Producers to collect, transport, and dispose of Unwanted Products.

Z. “Provider” means any Person that sells or otherwise furnishes Covered Drugs or Sharps to consumers at a medical or veterinary office, clinic, hospital or approved needle-exchange program located in the City.

AA. “Public Hearing” means any hearing held by the Department or the City which is open to the public for the purposes of collecting public comment. It does not necessarily refer to meetings of the City Council.

BB. “Repackager” means a Person who owns or operates an establishment that repacks, repackages, and/or re-labels a product or package (including a Covered Drug and/or Sharps) for further sale or for distribution without a further transaction.

CC. “Retailer” means any Person that sells Covered Drugs or Sharps directly to consumers at a business located in the City.

DD. “Santa Cruz County Safe Drug and Sharps Disposal Ordinance” refers to Chapter 7.95 of the Santa Cruz County Municipal Code, entitled “ Santa Cruz County Safe Drug and Sharps Disposal”, as such may be amended.

EE. “Sharps” means one or more hypodermic needles, pen needles, intravenous needles, lancets and other devices used to penetrate the skin for drawing blood, or for the delivery of medications or Drugs.

FF. “Stewardship Organization” means an organization designated by a group of Producers to act as an agent on behalf of each Producers to operate a Product Stewardship Program.

GG. “Unwanted Products” means Covered Drugs or Sharps no longer wanted by the owner or that have been abandoned, discarded, or are intended to be discarded by the owner.

8.38.040 Product Stewardship Program

A. Requirement for Sale. This chapter shall apply only to Producers whose Covered Drugs and/or Sharps are sold and/or distributed in the City and to Retailers who sell Covered Drugs and/or Sharps in the City. This chapter shall apply only to areas within the City limits. This chapter shall be administered and implemented by the City of Scotts Valley City Manager’s Department. Each Producer shall participate in a Stewardship Program. Each Producer must:

1. Operate, individually or jointly with other Producers, a Product Stewardship Program approved by the Department; or

2. Enter into an agreement with a Stewardship Organization to operate, on the Producer's behalf, a Product Stewardship Program approved by the Department.

B. Product Stewardship Program Costs.

1. A Producer, group of Producers, or Stewardship Organization must pay all administrative and operational fees and costs associated with their Product (who?) Stewardship Program and related Product Stewardship Plan, including, but not limited to, the cost of collecting, transporting, and disposing of Unwanted Products collected from Consumer Generators and the recycling and/or disposal of packaging collected with the Unwanted Product.

2. No Person or Producer may charge a specific point-of-sale fee to consumers to recoup the costs of their Product Stewardship Program, nor may they charge a specific point-of-collection fee at the time the Unwanted Products are collected from Consumer Generators or delivered for disposal.

3. A Producer, group of Producers, or Stewardship Organization must pay all costs and expenses incurred by the City, including but not limited to the Department, in the administration and enforcement of their Product Stewardship Program. Exclusive of fines and penalties, the City shall only recover its actual costs of administration and enforcement under this chapter and shall not charge any amounts under this chapter in excess of its actual administrative and enforcement costs.

4. A Producer, group of Producers, or Stewardship Organization must pay all collection and disposal costs and expenses as of the date that the ordinance codified in this chapter becomes effective. If the City incurs any costs or expenses due to delays in establishment of an approved Stewardship Plan, the Producer, group of Producers, or Stewardship Organization must reimburse the City in full for such costs.

8.38.050 Product Stewardship Plan

A. Plan Content. Each Product Stewardship Program shall have a Product Stewardship Plan (which must be submitted, reviewed and approved in accordance with Section 8.40.050(B) below) that contains each of the following:

1. Certification that the Product Stewardship Program will accept all Unwanted Products regardless of who produced them, unless excused from this requirement by the Department as part of the approval of the Plan;

2. Contact information (including the name, physical and mailing address, telephone number, and email address) for the individual and the Entity submitting the Plan, the Plan Operator, and each of the Producers participating in the Product Stewardship Program;

3. A description of the methods by which Unwanted Products from Consumer Generators will be collected and handled at all retail sale facilities of Sharps and Covered Drugs in the City, including without limitation a description of bins to be used and collection methods;

4. A description of the methods by which Unwanted Products from Consumer Generators will be collected and handled at all public health facilities in the City, as well as at such other locations as designated by the Department, including without limitation a description of bins to be used and collection methods;

5. The location of each collection site and locations where envelopes for a Mail-back Program are available (if applicable);

6. A list containing the name, location, permit status, and record of any penalties, violations, and/or regulatory orders received in the previous five years by each Person that will be involved in collecting and/or transporting Unwanted Products and each Medical Waste or Hazardous Waste disposal facility proposed to participate in the Product Stewardship Program;

7. A description of how the Unwanted Products will be safely and securely tracked and handled from collection through final disposal and the policies and procedures to be followed to ensure security;

8. A description of the public education and outreach activities required under this chapter and how their effectiveness will be evaluated;

9. A description of how the scope and extent of the Product Stewardship Program are reasonably related to the amount of Covered Drugs and Sharps that are sold in the City, by the Producer or group of Producers;

10. A starting date when collection of Unwanted Products will begin;

11. A description of how support will be provided to any law enforcement agencies within the City that have, or later agree to have, a collection program for Controlled Substances, including, without limitation: (i) the provision of a collection kiosk with appropriate accessories and signage, (ii) an ability to accept Controlled Substances and other Covered Drugs, and (iii) technical support up to and including an appropriate Person to provide on-site assistance with the sorting and separation of Controlled Substances at no cost to a participating law enforcement agency;

12. If more than one Producer will be involved in a proposed Product Stewardship Program, then the Product Stewardship Plan for that Program must include a fair and reasonable manner for allocating the costs of the Program among the participants in that Program, such that the portion of costs paid by each Producer is reasonably related to the amount of Covered Drugs and Sharps that Producer sells in the City.

B. Existing County-Approved Product Stewardship Plan. If a Producer, group of Producers, or Stewardship Organization is/are operating a Product Stewardship Program within the County under an existing Product Stewardship Plan that has been approved by the

County of Santa Cruz in accordance with Chapter 7.95 of the Santa Cruz County Code ("County-Approved Plan"), such Producer, group of Producers, or Stewardship Organization may comply with Section 8.40.050(A) above, by supplementing such County-Approved Plan to cover the City and include all items listed in Section 8.40.050(A) above. The Product Stewardship Plan, as supplemented, must be submitted to the Department for review and approval of the provisions relating to and/or applicable to the City in accordance with Section 8.40.050(D) below.

C. Department Review and Approval; Updates.

1. No Producer, group of Producers, or Stewardship Organization within the City may begin collecting Unwanted Products to comply with this chapter until it has received written approval of its Product Stewardship Plan from the Department. The City may (at its discretion) continue collection on an interim basis if there is any delay in establishing a Stewardship Program as required under this chapter. Once approved by the Department, each Product Stewardship Plan must receive prior written approval from the Department for any proposed changes to the Plan.

2. All Product Stewardship Plans must be submitted to the Department for approval. Each Producer, group of Producers, or Stewardship Organization operating a Product Stewardship Program shall submit its initial Product Stewardship Plan (conforming to the above requirements) to the Department for review within sixty (60) days after the effective date of this chapter, or at a later date as approved in writing by the Department.

3. Within sixty (60) days after the Department's receipt and review of a Product Stewardship Plan, the Department will determine whether the Plan complies with the requirements of this chapter and of any regulations adopted pursuant to this chapter. The Department may at its sole discretion conduct a noticed Public Hearing as part of this process.

a. As part of its approval, the Department may set reasonable performance goals for the Program.

b. If the Department approves a Plan, it shall notify the applicant of its approval in writing.

c. If the Department rejects a Plan, it shall notify the applicant in writing of its reasons for rejecting the Plan. The Department may reject a Plan without conducting a Public Hearing.

d. An applicant whose Plan has been rejected by the Department must submit a revised Plan to the Department within thirty (30) days after receiving notice of the rejection. The Department may require the submission of a further revised Plan or, at its sole discretion, the Department may (without any obligation to do so) develop, approve and impose upon the applicant the Department's own Product Stewardship Plan or an approved Plan submitted by other Producer(s) pursuant to this chapter. The imposed Plan will be presented at a Public Hearing. The Department is not required, and nothing in this chapter shall be interpreted as requiring, the Department to create or impose a Product Stewardship Plan.

e. If the Department rejects a revised Product Stewardship Plan or any other subsequently revised Plan, the City Manager may deem the Producer(s) at issue to be out of compliance with this chapter and subject to the enforcement provisions contained in this chapter.

4. At least every three (3) years, a Producer, group of Producers or Stewardship Organization operating a Product Stewardship Program shall update its Product Stewardship Plan, explaining any substantive changes to components of the Plan, and submit the updated Plan to the Department for review and approval.

5. A Producer who begins to offer a Covered Drug or Sharps for sale in the City after the effective date of this chapter, must submit a Product Stewardship Plan to the Department or provide evidence of having joined an existing approved Product Stewardship Program within sixty (60) days following the Producer's initial offer for sale of a Covered Drug or Sharp in the City.

6. Any proposed changes to a Product Stewardship Plan must be submitted in writing to the Department and approved by the Department in writing prior to implementation of any change. Notwithstanding the foregoing, for County-Approved Plans, only those changes relating to and/or applicable to the City must be submitted in writing to the Department for review and approval before implementation.

7. Required Plan Amendment. Within 60 days of the final promulgation of rules by the California Board of Pharmacy regarding collection of controlled substances by retail pharmacies in conformity with the U.S. Drug Enforcement Agency regulations implementing the Secure and Responsible Drug Disposal Act of 2010, each Producer, group of Producers or Stewardship Organization operating a Product Stewardship Program shall submit to the Department for review and approval an update to its Product Stewardship Plan that describes how the Plan will, within 120 days, comply with and conform to the requirements of such final rules of the California Board of Pharmacy.

8. The Department may audit the records of a Producer, group of Producers, or Stewardship Organization related to a Product Stewardship Plan and/or Product Stewardship Program, or request that the Producer, group of Producers, or Stewardship Organization arrange for the Department to inspect at reasonable times the facilities, vehicles, and equipment used in carrying out the Product Stewardship Plan.

8.38.060 Disposal of Unwanted Products

A. Compliance with Applicable Law. Each Product Stewardship Program must comply with all local, state, and federal laws and regulations applicable to its operations, including, but not limited to, laws, rules, and regulations governing the treatment and disposal of Unwanted Products.

B. Treatment and Disposal. Each Product Stewardship Program must treat Sharp's waste by high heat sterilization and dispose of all unwanted Covered Drugs by incineration at a Medical Waste or Hazardous Waste facility authorized to accept such waste. Each treatment and/or disposal facility utilized must be in possession of all required regulatory permits and licenses.

C. New Technologies. Producers with Product Stewardship Programs may petition the Department for approval to use treatment and final disposal technologies, where lawful, that provide superior environmental and human health protection than provided by current Medical Waste or Hazardous Waste disposal technologies for Sharps and Covered Drugs if and when those technologies are proven and available. The proposed technology, at a minimum, must provide equivalent protection in each, and superior protection in one or more, of the following areas:

1. Monitoring of any emissions or waste;
2. Worker health and safety;
3. Reduction or elimination of air, water, or land emissions contributing to persistent, bioaccumulative, and toxic pollution; and
4. Overall impact on the environment and human health.

D. Packaging Separation. Each Product Stewardship Program shall encourage Consumer Generators to separate Unwanted Products from their original containers and packaging, when appropriate, prior to collection or disposal.

8.38.070 Product Stewardship Program Promotion and Outreach

A. A Product Stewardship Program must promote the Program to Consumer Generators, pharmacists, Retailers of Covered Drugs and/or Sharps, and health care practitioners (including, but not limited to, doctors and other prescribers, veterinarians and veterinary hospitals) as to the proper and safe method to storage and dispose of Unwanted Products.

B. A Product Stewardship Program shall include, but is not limited to, developing, and updating as necessary, educational and other outreach materials for use by Retailers of Covered Drugs and/or Sharps. These materials may include, but are not limited to, two or more of the following:

1. Signage that is prominently displayed and easily visible to the consumer.

2. Written materials and templates of materials for reproduction by Retailers to be provided to the consumer at the time of purchase or delivery, or both.

3. Advertising and/or other promotional materials related to the Product Stewardship Program.

C. A Product Stewardship Program must prepare education and outreach materials that publicize the location and operation of collection locations in the City and disseminate the materials to health care facilities, Pharmacies, and other interested parties. The Program also must establish a website publicizing collection locations and Program operations and a toll-free telephone number that Consumer Generators can call to find nearby collection locations and understand how the Program works.

8.38.080 Retailer and Provider participation

A. Every Retailer and every Provider of Covered Drugs and Sharps in the City shall establish a system consistent with the requirements of this chapter for the collection of consumer-generated Covered Drugs and Sharps waste for proper disposal during the Retailer's or Provider's normal hours of operation, except that:

1. A Retailer or Provider who does not sell or provide Sharps to consumers is not required to establish a collection system for Sharps waste; and

2. A Retailer or Provider who does not sell or provide Covered Drugs to consumers is not required to establish a collection system for Covered Drugs waste.

B. Each system established by a Retailer or Provider for the collection and disposal of consumer generated Covered Drugs and Sharps waste shall include, at a minimum, the following elements:

1. Subject to the limitations contained in subsection (A) of this Section above and subsection (E) of this Section below, each Retailer or Provider shall provide one of the following:

a. On-site collection system. Receptacles for the collection of consumer-generated Covered Drugs and Sharps waste within the Retailer or Provider establishment. The receptacle shall meet applicable state and federal standards for safe disposal of Covered Drugs and/or Sharps. The Retailer or Provider shall provide for the management and disposal of all consumer-generated Covered Drugs and/or Sharps waste that is collected at the Retailer or Provider establishment in a safe manner consistent with all state and federal laws and regulations; or

b. Mail-back collection system. Prepaid and preaddressed mail-back envelopes in sufficient capacity for safe disposal of the Covered Drugs and/or Sharps sold or provided to a consumer and meeting applicable state and federal standards for safe disposal of Covered Drugs and/or Sharps.

2. Signage prominently displayed within five feet of every public entrance to the Retailer or Provider establishment and easily visible to the consumer, indicating that the Retailer or Provider establishment collects consumer-generated Covered Drugs and/or Sharps waste from consumers.

C. A Retailer or Provider of Sharps must provide at no additional cost to the consumer an approved Sharps disposal container or containers sufficient to dispose of all Sharps purchased. A Retailer or Provider of Sharps may refuse to accept from a consumer Sharps waste that is not properly contained in an approved container. In the event of a refusal to accept Sharps waste, the Retailer or Provider shall provide the consumer with an appropriate container for proper disposal of said Sharps waste.

D. Sharps disposal containers shall be either a rigid puncture-resistant container with a sealable lid approved by the U.S. Food and Drug Administration for the purpose of transporting Sharps for disposal or a pre-paid mail-back container approved by the U.S. Food and Drug Administration for the purpose of transporting Sharps for disposal.

E. All costs of participation by Retailers and Providers shall be paid or reimbursed by the Producer, group of Producers, or Stewardship Organization as part of its Program as provided in this chapter. Retailers and Providers shall not be expected to incur any costs for participation in a Product Stewardship Program.

8.38.090 Lists of Producers and Manufacturers of Covered Drugs and Sharps

A. Within sixty (60) days after the effective date of this chapter (or at a later date as approved in writing by the Department), each Drug Wholesaler that sells any Covered Drugs and/or Sharps in the City must provide a list of the Producers of those Covered Drugs and/or Sharps to the Department in a form prescribed by the Department. Drug Wholesalers must update and submit to the Department such list of Producers of Covered Drugs and/or Sharps by January 15th of each calendar year.

B. Within six (6) months after the effective date of this chapter, or within six (6) months after a Retailer whose label appears on a Covered Drug or Sharps or on the Covered Drug's or Sharps' packaging starts selling the Covered Drug or Sharps in the City (or at a later date as approved in writing by the Department), and, thereafter, upon request from the Department, a Retailer whose label appears on a Covered Drug or Sharps or on the Covered Drug's or Sharps' packaging must provide the contact information of the Manufacturer from whom the Retailer obtains the Covered Drug or Sharps, including the mailing address, physical address, telephone number, and email address of the Retailer's point of contact at the Manufacturer.

C. Within six (6) months after the effective date of this chapter, or within six (6) months after a Covered Drug or Sharps repackaged by a Repackager is first sold in the City (or at a later date as approved in writing by the Department), and, thereafter, upon request from the Department, a Repackager whose label appears on a Covered Drug or Sharps or on the Covered Drug's or Sharps' packaging must provide the contact information of the Manufacturer from whom the Repackager obtains the Covered Drug or Sharps, including the mailing address, physical address, telephone number, and email address of the Repackager's point of contact at the Manufacturer.

8.38.100 Reporting

A. On or before July 1, 2017 (or at a later date as approved in writing by the Department) and in each subsequent year, every Producer, group of Producers, or Stewardship Organization operating a Product Stewardship Program in the City must prepare and submit to the Department an annual written report describing the Program activities during the previous reporting period. The report must include, at minimum, the following:

1. A list of Producers participating in the Product Stewardship Program;

2. A list of Retailers and/or Providers participating in the collection of consumer-generated Covered Drugs and/or Sharps waste;

3. The amount, by type and by weight, of Unwanted Products collected from Consumer Generators collected at each drop-off site and in the entire City and, if

applicable, the total amount by type and by weight collected by a Mail-back Program;

4. A description of the collection system, including, without limitation, the location of each collection site and if applicable, locations where envelopes for a Mail-back Program are provided;

5. The name and location of disposal facilities at which Unwanted Products were disposed of and the weight by type of Unwanted Products collected from Consumer Generators disposed of at each facility;

6. Whether policies and procedures for collecting, handling, transporting, and disposing of Unwanted Products, as established in the Plan, were followed during the reporting period and a description of any noncompliance;

7. Whether any safety or security problems occurred during collection, handling, transportation, or disposal of Unwanted Products during the reporting period and, if so, what changes have or will be made to policies, procedures, or tracking mechanisms to alleviate the problem and to improve safety and security;

8. A description of public education and outreach activities implemented during the reporting period and their effectiveness, including, without limitation, the methodology used to evaluate the outreach and Program activities;

9. How the Product Stewardship Program complied with all other elements in the Product Stewardship Plan approved by the Department, including, without limitation, its degree of success in meeting any performance goals set by the Department as part of its approval of the Program; and

10. Any other information that the Department may reasonably require.

B. For the purposes of this section, "reporting period" means the period beginning January 1 and ending December 31 of the same calendar year.

8.38.110 Program Assessment and Collection of Data

A. At least once per year, at a time to be determined by the Department, each Product Stewardship Program will conduct a detailed characterization study of Unwanted Products collected at specified locations to help assess effectiveness of the Product Stewardship Program

B. Assessments shall be conducted in a secure location with proper supervision, in full compliance with federal and state laws, rules, and regulations, and in accordance with guidelines issued by the Department.

C. Data collected from Program assessments shall be shared with the Department and other relevant agencies in a timely manner.

D. The Department may require additional assessments as needed to address problems or to help determine Program needs.

8.38.120 List of Producers

The Department shall provide on its website a list of all Producers participating in Product Stewardship Programs approved by the Department and a list of all Producers the Department has identified as noncompliant with this chapter or any regulations adopted pursuant to this chapter.

8.38.130 Regulations and fees

A. The City Manager may, after a noticed Public Hearing, adopt such rules and regulations as necessary to implement, administer, and enforce this chapter.

B. The City Council authorizes the City Manager to charge Producers or a group of Producers participating in a Product Stewardship Program for any costs the City incurs in administering and enforcing this chapter. The amount charged shall not exceed actual costs to the City.

8.38.140 Enforcement

A. The Department shall administer the penalty provisions of this chapter.

B. It shall be unlawful for any person to violate any provision or fail to comply with any of the requirements of this chapter.

C. Any Person, Producer, Plan Operator or Product Stewardship Organization that violates or continues to violate the provisions of this chapter shall be subject to the penalties, remedies, and criminal, civil and/or administrative enforcement actions set forth in Title 4 of the Scotts Valley Municipal Code. Each and every day a violation of this chapter exists constitutes a separate and distinct offense for which enforcement action may be taken.

D. In determining the appropriate penalties, the Department shall consider the extent of harm caused by the violation, the nature and persistence of the violation, the frequency of past violations, any action taken to mitigate the violation, and the financial burden to the violator.

E. Whenever the City finds that a Person has violated a provision or failed to meet a requirement of this chapter, the City may order compliance by written notice of violation to the responsible Person pursuant to Title 4 of the Scotts Valley Municipal Code.

F. The Department may establish appropriate administrative rules for implementing this chapter, conducting hearings, and rendering decisions pursuant to this section.

G. Upon the failure of any Person to comply with any requirement of this chapter and any rule or regulation adopted pursuant to this chapter, the City Attorney's office may petition any court having jurisdiction for injunctive relief, payment of civil penalties and any other appropriate remedy, including, without limitation, restraining such Person or Entity from continuing any prohibited activity and compelling compliance with lawful requirements. However, this subsection does not permit the City or any court of competent jurisdiction to restrain the sale of any Covered Drug or Sharps in the City.

H. Any Person who knowingly and willfully violates the requirements of this chapter or any rule or regulation adopted pursuant to this chapter is guilty of a misdemeanor. A conviction for a misdemeanor violation under this chapter is punishable by a fine of not less than fifty dollars ($50.00) and not more than five hundred ($500.00) for each day per violation, or by imprisonment for a period not to exceed six (6) months, or by both such fine and imprisonment.

I. The remedies provided by this chapter are cumulative and in addition to any other remedies available at law or in equity.

8.38.150 Additional provisions

A. Disclaimer. In adopting and implementing this chapter, the City is assuming an undertaking only to promote the general welfare. The City is not assuming or imposing on its officers and/or employees an obligation by which they could be liable in money damages to any Person or Entity who claims that a breach proximately caused injury.

D. Nothing in this chapter, or the Product Stewardship Program in which Producers of Sharps and Covered Drug products who sell Sharps and/or Covered Drugs in the are required to participate, is intended to protect anticompetitive or collusive conduct nor shall this chapter be construed to modify, impair, or supersede the operation of any of the antitrust laws or unfair competition laws of the State of California or of the United States.

E. This chapter shall be construed in accordance with California state law, including but not limited to the Medical Waste Management Act set forth at California Health and Safety Code Section 117600, et seq., and shall not be construed in a way that would result in conflict with, or preemption by, any such state law.

G. This chapter shall be in effect for a period of ten (10) years following enactment.

SECTION V

This Ordinance shall take effect on the 31st day after the date of final passage.

This ordinance was introduced on the 7th day of December, 2016, and was passed and adopted by the City Council of the City of Scotts Valley on the _____ day of ________________, 2016, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Approved: _________________
Mayor

Attest: _________________________
Tracy Ferrara, City Clerk

Approved as to Form: _________________________
Kirsten M. Powell, City Attorney

City of Scotts Valley
STAFF REPORT

DATE: December 7, 2016

TO: Honorable Mayor and City Council

FROM: Jenny Haruyama, City Manager

SUBJECT: **CONSIDERATION OF ONLINE POSTING OF FAIR POLITICAL PRACTICES COMMISSION (FPPC) CAMPAIGN DISCLOSURE FINANCIAL STATEMENTS AND OTHER FORMS**

SUMMARY OF ISSUE

At the Wednesday, November 2, 2016 Council Meeting, Council Member Jim Reed requested that the posting of all Fair Political Practices Commission (FPPC) campaign disclosure financial statements and forms on the City website be agendized for future discussion. This staff report discusses the City's current practice and opportunity to provide online access to campaign financial statements and other related forms.

Presently, all City of Scotts Valley campaign disclosure financial statements and forms are available for public viewing at City Hall via the City Clerk; the forms are not available for viewing via the City website. However, many cities, for purposes of greater transparency, post campaign disclosure financial statements and other related forms on their respective websites. In the Santa Cruz region, the cities of Santa Cruz, Watsonville, and Capitola, and Santa Cruz County provide online access to candidate campaign disclosure statement and forms that are filed with the City.

There are several different types of FPPC campaign disclosure forms; the most common is Form 460, which is the main campaign disclosure report and provides the public with an overview of the committee's activity, including money coming in and money going out, during a specified reporting period. Certain campaign activity may trigger additional reporting requirements, including other forms such as: FPPC Form 496, 497, 450, 461, 465, and 470.

Providing online access to campaign disclosure financial statements and forms can be accomplished through one of two ways: (1) a manual process in which staff scans and posts the campaign forms on the City website or (2) a paperless solution provided by a vendor for a fee. This option provides e-filing of the required campaign statements, which are automatically posted online for public viewing. The cities of Santa Cruz and Capitola manually post their candidate campaign statements, while the City of Watsonville and Santa Cruz County use Netfile, a vendor that serves 97 California cities, provides paperless e-filing and a public viewing portal for campaign statement forms.

The City of Scotts Valley can manually post candidate campaign statements and other related forms online; however, it can be time intensive given limited resources. On the other hand, the implementation of a paperless solution by Netfile would save time, but it has a cost of $1,000 per quarter, or $4,000 per year.

Netfile also offers another alternative which provides a paperless solution and public viewing portal for both FPPC campaign financial statements and the FPPC Statement of Economic Interest Form 700 (required for elected and appointed officials). This option costs approximately $5,000 annually, for five years.

Cities can also choose to purchase the Form 700 3-filing system without the e-campaign filing option for $2,000 annually. Santa Cruz County and the cities of Capitola, Watsonville, and Santa Cruz all use Netfile to e-file and post FPPC Form 700 statements. While the Netfile e-file feature does not integrate with the FPPC to submit Form 700 documents directly to the agency, it is anticipated that this option will be available within the next couple of years.

Currently, the City of Scotts Valley currently coordinates Form 700 filings for approximately 50 persons (Council, Commissioners, and City Staff), but does not post them online.

FISCAL IMPACT

Should Council choose to use a vendor, such as Netfile to e-file and post FPPC campaign statement forms, the cost would be approximately $1,000 per quarter, or $4,000 annually.

Purchasing the both e-file and online posting services for FPPC campaign statement forms and FPPC Form 700 statements would be approximately $1,250 a quarter, or $5,000 annually for five years.

If staff to manually posted FPPC campaign financial statement forms online, but chose to only purchase the FPPC Form 700 e-filing system, the cost would be $2,000 annually. The number of staff hours required to initially to develop an elections webpage would be 8 hours; copying, redacting, scanning, posting, and mailing campaign financial statements is anticipated to be 20 hours annually.

Manually implementing online access for both FPPC campaign financial and Form 700 statements, including the initial development of an elections webpage is estimated to be 68 hours per year. The combination of manually performing these activities would result in productivity impacts.

STAFF RECOMMENDATION

It is recommended that Council direct staff regarding the practice of posting campaign financial statements and other forms on the City website.

Should Council choose to post campaign disclosure financial statements filed with the City online, it is recommended this process be completed by staff manually given the small number of candidates and infrequency of the activity.

With respect to the use of a Form 700 e-filing system, staff recommends that this option be considered when the system fully integrates with the FPPC website so that forms can be submitted directly to the agency. Otherwise, purchasing a system without this feature would not provide greater organizational efficiency needed for staff.

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NetFile
2707 Aurora Road
Mariposa, CA 95338
Tel (209)742-4100
Fax (209)391-2200

November 3, 2016

Tracy A. Ferrara
City Clerk, City of Scotts Valley
1 Civic Center Drive
Scotts Valley, CA 95066

Dear Tracy:

Thank you for your e-mail today regarding our systems. As promised, here is some background information as well as a proposal for our e-filing and administration systems for both the Campaign Disclosure and Form 700 SEI filings.

How NetFile Works

NetFile is a hosted solution that provides you with an extremely affordable system that will enable you to electronically file Campaign Statements and/or Form 700 filings. No IT involvement is required. You don't have to waste time or effort or risk a breach of your own firewall by hosting yourselves.

Who Uses NetFile

NetFile is being used by 97 local government agencies in CA today. In Northern CA alone our clients include the Cities of Berkeley, Capitola, Chico, Cotati, Fresno, Gilroy, Half Moon Bay, Hayward, Livermore, Manteca, Morgan Hill, Mountain View, Oakland, Palo Alto, Patterson, Pleasanton, Richmond, Sacramento, Salinas, San Francisco, San Jose, San Leandro, Santa Clara, Santa Cruz, Santa Rosa, Sausalito, Stockton, Sunnyvale, Watsonville, West Sacramento, and the Town of Yountville. Our County clients in Northern CA include the Counties of Alameda, Butte, Contra Costa, Marin, Merced, Monterey, Nevada, Placer, Sacramento, San Francisco, San Joaquin, San Mateo, San Luis Obispo, Santa Clara, Santa Cruz, and Shasta. The Department of Consumer Affairs, the Santa Cruz City-County Library system, and Alameda County Waste Management are clients of ours as well.

Cost Information

NetFile does not charge any costs upfront. No setup fees to worry about. Our ongoing quarterly fee includes everything (unlimited training, support, and maintenance). All form changes and system updates are included as well. Don't be fooled with false economics showing software you own is less expensive. If you buy software and want to compare with our service, you need to add all the hidden costs you have for IT labor, hardware to run the software, bandwidth to host the product online, and all the extra IT time to apply security updates and patches. The cost for both systems for you would be as follows:

Campaign Disclosure Paperless E-filing/Admin/Public Viewing Portal: $1,000/quarter*

Form 700 Paperless E-filing/Admin/Public Viewing Portal: $500/quarter for approximately 50 filers*

*If you contract for both systems at the same time, NetFile will discount your price by $250/quarter for up to a period of 5 years. The resulting rate would become $1,250/quarter for both systems and covers all your Campaign filers as well as all your Form 700 filers. You have the option to pay this either quarterly or annually. The discounted annual rate is $5,000/year.

All of our contracts offer 30 day out clauses for any reason so if you don't want to use it you don't have to. This gives you peace of mind. The good news is we have never had anyone take us up on that.

<u>NetFile Features</u>

Both systems include your setup, admin portal (allowing you to automate letters and generate status reports), filer portal (where the filer creates and electronically files their documents), INDUSTRY EXCLUSIVE mobile device Form 700 filer platform, INDUSTRY EXCLUSIVE public viewing portal (this automatically shows the redacted filing online without you having to scan or upload documents), and a private viewing portal (we can lock down any number of computers you wish in your office that you can point the public to search unredacted documents). All the interested party has to do is pick the filing they want and if they want a hard copy, click on the print button that would print to one of your printers behind your counter. All staff has to do is charge the per copy document fee! NetFile PAYS for your FPPC $1,000 paperless application fee. This fee will cover you for up to 5 years or until the FPPC deems there is any major software change. No matter what, NetFile will pay the fee.

<u>How Long Does it Take to Setup?</u>

Currently our lead time is 2 weeks to set up a new agency. This is subject to change. To become a paperless filing agency for Campaign Disclosure requires an ordinance change. We can send you ordinances from other Cities to review. For Form 700 the FPPC has to approve you to become paperless and this takes approximately 2 weeks.

<u>The NetFile Difference</u>

The City of San Diego made history with our Campaign system having the first ever paperless campaign statement filed on January 22, 2013. Since then, we have had approximately half of our agencies change their local campaign ordinance to reflect the paperless filing being the filing of record. Changing your ordinance is all you have to do! As mentioned above, I can send you samples of other agencies ordinances so you don’t have to reinvent the wheel for your ordinance.

For Statements of Economic Interests, NetFile leads the way. Starting the end of 2006 for the County of San Bernardino as well as the Cities of Anaheim and San Diego, NetFile beat the competition to the market by 2 years. NetFile has industry exclusive features for the SEI system as well (no other company gives you a public viewing portal that automatically shows redacted filings plus no other company has mobile apps for filers to use).

One of the most important advantages with NetFile is all your revenue spent with NetFile stays in CA. NetFile is proud of the fact we are 100% based in CA. If you need any additional information, just let me know.

Best regards,

Tom Diebert

Tom Diebert
Vice President, NetFile

Statement of Economic Interests Form 700

E-Filing & Admin System

Filing Forms 700 & 800 Series Made Simple and Secure

Make your hard to track paper filing system obsolete with the industry leading provider of an e-filing system for the FPPC Form 700. Don't be fooled by companies with large start up costs and overseas programming. NetFile is the founder and leader of this market space with several thousands of e-filings made over many years and our system has no startup costs at all!

Being an online system, the agency, filer, and the public can access the system 24/7/365. Since this is a shared platform, the system is affordable for even the smallest local government client. NetFile offers around the clock support that is 100% based in California - no need to worry about foreign based support! All revenue stays in CA - not outsourced like the competition!

A sampling of NetFile's system advantages are:

- Several NetFile clients have already been FPPC approved as paperless agencies!
- Easily manage your filer's conflict of interest code
- Multiple levels of administration for admin and department level filing officers
- Database is kept current throughout the year - no more year-end panic!
- Public portal for 800 series form online requirement
- Multiple position filings are fast and efficient with NetFile
- Previous Form 700 Filer data populates new filing (huge time savings)!
- Works with any modern Windows PC, Mac, or Linux system with current browser
- NetFile is 100% based in CA (no outsourcing of work to other countries)

Features

Electronic Filing

Each Form 700 filer can self-register and is issued a unique Filer ID and password. A link from your website starts the filing process. The site is hosted by NetFile but looks just like your site. NetFile servers ensure fast and efficient filings. The submitted filing is validated to stop amendments from happening in the first place. Online video tutorials makes filing easy!

Agency Management Tool

The system acts as your repository of filers. Create the filers in the database just once. Notifications can be sent out via an e-mail blast to all filers or filers by department. Run your filing status report for an up to date filing receipt list. From the report you can see exactly who or who has not filed. This report can be run by department or for your entire database.

Paperless Filings, Paper Filings, or Both!

The system handles all types of filings. You can go entirely paperless, entirely paper based, or a combination of both!

SEI Form 700 E-Filing & Admin System Facts:

FPPC Paperless Approved

Several NetFile clients have been approved as paperless filing agencies by the FPPC. Very simple and easy approval process.

Many Years Proven Success

NetFile's local government clients in California have been using this system for many years. NetFile has numerous County and City clients who make several thousands of filings per year.

No Huge Upfront Costs

You pay a very reasonable ongoing fee. Affordable for most any sized agency.

Staff Support and Training Included in Ongoing Fee

Being a hosted solution, you enjoy a low ongoing cost that includes both staff support and training at no additional cost to you! There is no limit to the amount of staff support or training provided to our clients.

No Long Term Commitment

All our contracts have 30-day out clauses (for any reason)!

Data is Safe and Secure

Backups are made nightly for all of you and your filer's data. The data is sent offsite to multiple locations to ensure the safety and integrity of your data.

No IT Involvement Necessary

All IT has to do is place a link on your website (that's it)!

NetFile Dedication

NetFile has been in business since 1998. Providing e-filing systems and software is all we do! There are no other distractions to keep us from servicing our clients to the fullest extent!

Document Viewing Portal - Public Site

You can choose to have your filers' documents shown over the internet in redacted form with your own redaction specifications. You can even narrow down which filers you would want to show. Public site meets FPPC's mandated 30-day online posting requirements for certain 800 series forms!

Document Viewing Portal - Private Site

The system also comes with a kiosk mode that allows you to show filings in unredacted form but only in your office. That way if someone walks in requesting to view a filing, just point them to one of your computers to search for the filings. They could print to your internal printer if they wanted to purchase a hard copy. No more pulling files and making copies wasting valuable staff time!

NetFile is Number One in California

NetFile is California's first internet based accounting, disclosure, and data management system. Our clients account for over half of all electronic disclosure document filings in the state of California. For our local government platform, there have been several thousand e-filings made for both our SEI Filing and admin system as well as our Campaign Disclosure filing and admin system.

Unparalleled Training and Technical Support

Our business model is based on an ongoing service with no long term contractual commitments from our clients. This guarantees you the best in training and support!

Contact Information:

Company Name:	**NetFile**
Address:	2707 Aurora Rd
	Mariposa, CA 95338
Phone:	(209) 742-4100 (Main Line & Support)
Phone:	(559) 434-2045 (Local Government Sales)
Fax:	(209) 391-2200
E-mail:	sales@netfile.com
website:	www.netfile.com

NOTE: NetFile also has an e-filing system for local goverment for campaign disclosure for the e-filing and admin of FPPC Forms 460, 496, 497 450, 461, 465 and 470.

NetFile

THE E-FILING LEADER

NetFile Campaign Disclosure Form 460

E-Filing & Admin System

Filing FPPC Forms 460, 496, 497, 450, 461, 465 & 470

Make your hard to track paper filing system obsolete with the single source provider of an e-filing system for your Campaign Disclosure forms! You can have your own jurisdiction's e-filing and administration system for your campaign disclosure filings. The system supports both paperless (INDUSTRY EXCLUSIVE!) as well as paper filed documents.

Being an online system, the agency, filer, and the public can access the system 24/7/365. Since this is a shared platform, the system is affordable for even the smallest local government client. NetFile offers around the clock support that is 100% based in California - no need to worry about foreign based programming or support! All revenue stays in California.

NetFile's Campaign Disclosure Form 460 system advantages are:

- Get rid of paper filings with NetFile's exclusive paperless solution!
- System supports paperless, paper, or a combination of these types of filings
- Reduces the amount of time spent on administration
- Internal kiosk mode makes public requests for documents quick and easy
- Public site posts filings automatically in redacted form
- Automatically generate letters (welcome, notification, amendment, late, fine, etc...)
- Validation significantly reduces amount of amendments for filers
- Works with any modern Windows PC, Mac, or Linux system with current browser
- NetFile is 100% based in CA (no outsourcing of work)

Features

Electronic Filing

Filers can input their data as they go or all at one time. Filers can generate drafts for review. A link from your website starts the filing process. The site is hosted by NetFile but looks just like your site. Our servers ensure fast and efficient filings. The submitted filing is validated to help prevent amendments from happening in the first place.

Agency Management Tool

The system acts as your repository of filers. Create the filers in the database just once. Instant notifications to staff when an e-filing has occurred. System also handles paper filed documents. Just redact and upload for public viewing over the internet. You can even show filings by election cycle on the public site. Notification, late, and fine letters can also be automatically generated. Custom letters with your letterhead are also accomodated.

Campaign Disclosure E-filing/Admin Facts:

Paperless is here!

NetFile is the only system available to allow a City or County in CA to get rid of paper filed Campaign Statements.

Many Years Proven Success

NetFile's local government clients in California have been using this system for several years. Don't be fooled by companies claiming to have an e-filing system but all it is doing is barcoding paper filings.

No Setup Fees

You don't have any hidden costs for setting up your agency.

Staff Support and Training Included in Fee

Being a hosted solution, you enjoy a low ongoing cost that includes both staff support and training at no additional cost to you! There is no limit to the amount of staff support or training provided to our clients.

No Long Term Commitment

All our contracts have 30-day out clauses (for any reason)!

Data is Safe and Secure

Backups are made nightly for all of you and your filer's data. The data is sent offsite to multiple locations to ensure the safety and integrity of your data.

No IT Involvement Necessary

All IT has to do is place a link on your website (that's it)!

NetFile Dedication

NetFile has been in business since 1998. Providing e-filing systems and software is all we do! There are no other distractions to keep us from servicing our clients to the fullest extent!

Document Viewing Portal - Public Site

Every e-filed document is automatically posted to the public site in redacted format. The public site includes advanced search features to help the public find the data important to them.

Document Viewing Portal - Private Site

The system also comes with a kiosk mode that allows you to show filings in unredacted form but only in your office. That way if someone walks in requesting to view a filing, just point them to one of your computers to search for the filings. They could print to your internal printer if they wanted to purchase a hard copy. No more pulling files and making copies wasting valuable staff time!

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website:	www.netfile.com

NOTE: NetFile also has an e-filing and administration system for local government for Statements of Economic Interests FPPC Form 700 and supports all 800 Series FPPC Forms as well!

NetFile

THE E-FILING LEADER