



City of Los Banos

At the Crossroads of California

www.losbanos.org

AGENDA

JOINT CITY COUNCIL AND REDEVELOPMENT AGENCY MEETING

CITY HALL COUNCIL CHAMBERS
520 J Street
Los Banos, California

APRIL 6, 2011

If you require special assistance to attend or participate in this meeting, please call the City Clerk's Office @ (209) 827-7000 at least 48 hours prior to the meeting.

The City of Los Banos complies with the Americans with Disabilities Act (ADA) of 1990.

Si requiere asistencia especial para atender o participar en esta junta por favor llame a la oficina de la Secretaria de la ciudad al (209) 827-7000 a lo menos de 48 horas previas de la junta.

La Ciudad de Los Banos cumple con la Acta de Americanos con Deshabilidad (ADA) de 1990.

Any writings or documents provided to a majority of the City Council / Redevelopment Agency regarding any item on this agenda will be made available for public inspection at the meeting and in the City Clerk's office located at City Hall, 520 J Street, Los Banos, California during normal business hours. In addition, such writings and documents may be posted on the City's website at www.losbanos.org.

Cualquier escritura o los documentos proporcionaron a una mayoría del Ayuntamiento / Agencia de Reurbanización con respecto a cualquier artículo en este orden del día será hecho disponible para la inspección pública en la reunión y en la oficina de la Secretaria de la ciudad en City Hall, 520 J Street, Los Banos, California durante horas de oficina normales. Además, tales escrituras y los documentos pueden ser anunciados en el website de la ciudad en www.losbanos.org.

1. CALL TO ORDER. **7:00 PM**
2. PLEDGE OF ALLEGIANCE.
3. ROLL CALL:
Faria ____, Silveira ____, Sousa ____, Stone ____, Villalta ____
4. CONSIDERATION OF APPROVAL OF AGENDA.

5. PRESENTATIONS

A. Proclamation Recognizing the Week of the Young Child

B. Proclamation Recognizing Sergio de Alba

C. Proclamations Recognizing Past City Commissioners

- 1) Stephen Hammond, Planning Commission
- 2) Ann McCauley, Planning Commission
- 3) Shirley Napolitano, Planning Commission
- 4) Jack Aguilar, Jr., Airport Commission
- 5) Arturo Herrera, Park & Recreation Commission
- 6) Ramona Giuliani, Culture & the Arts Commission
- 7) Rebecca Palmer, Culture & the Arts Commission

6. PUBLIC FORUM. (Members of the public may address the City Council / Redevelopment Agency Members on any item of public interest that is within the jurisdiction of the City Council / Redevelopment Agency; includes agenda and non-agenda items. No action will be taken on non-agenda items. Speakers are limited to a five (5) minute presentation. Detailed guidelines are posted on the Council Chamber informational table.)

7. CONSIDERATION OF APPROVAL OF CONSENT AGENDA. (Items on the Consent Agenda are considered to be routine and will be voted on in one motion unless removed from the Consent Agenda by a City Council / Redevelopment Agency Member.)

A. Check Register for #127683 – #128082 in the Amount of \$1,769,551.54.

Recommendation: Approve the check register as submitted.

B. Minutes for the February 16, 2011 City Council / Redevelopment Agency Meeting.

Recommendation: Approve the minutes as submitted.

C. Minutes for the March 17, 2011 City Council / Redevelopment Agency Meeting.

Recommendation: Approve the minutes as submitted.

D. Minutes for the March 30, 2011 City Council / Redevelopment Agency Meeting.

Recommendation: Approve the minutes as submitted.

- E. Street Closure Request from the Los Banos Chamber of Commerce to Hold the Annual Downtown Spring Street Faire on Saturday, April 16, 2011 from 5:30 a.m. – 5:30 p.m. in the Downtown Area to Close 7th and K Streets, 7th and J Streets, 5th and K Streets, 5th and J Streets, and if Vendor Count Warrants it to Additionally Close off 7th and I Streets, and 5th and I Streets, and to Allow Vendors to be Set Up in the Center of Each Street.

Recommendation: Approve the street closure request as submitted.

- F. Street Closure/Parade Request from the Merced County Spring Fair for the Following Streets to be Closed from Monday, April 25, 2011 to Sunday, May 1, 2011: 3rd Street from E Street to D Street, D Street from 3rd Street to North Street, North Street from C Street to D Street, F Street from 3rd Street to 5th Street, 4th Street from G Street to F Street and to Allow the May Day Parade on City Streets.

Recommendation: Approve the street closure/parade request as submitted.

- G. Request to Withdraw Federal Economic Development Administration Business Incubator Application to Develop the Innovation Place Network in the Miller & Lux Building.

Recommendation: Approve the request as submitted.

- H. City Council Resolution No. 5307 – Increasing the Appropriation Amount for the Edward Byrne, Justice Assistance Grant (JAG) for Revenues in the Amount of \$20,000 and Expenditures in the Amount of \$20,000 for Necessary Radio Equipment.

Recommendation: Adopt the resolution as submitted.

- I. City Council Resolution No. 5308 – Approving the Designation of a Ponderosa Pine Tree at Conte Plaza as a Heritage Tree.

Recommendation: Adopt the resolution as submitted.

- J. City Council Resolution No. 5309 – Authorizing the Public Works Director/City Engineer to Sign the Request for Authorization (RFA) Forms for Federal Funding Including Congestion Mitigation and Air Quality (CMAQ) Funds.

Recommendation: Adopt the resolution as submitted.

- K. City Council Resolution No. 5310 – Approving the 2011/2012 Transportation Planning Work Program and Comprehensive Planning Work Program and Budget for Merced County Association of Governments (MCAG) and Allocating \$104,530 to the 2011/2012 Fiscal Year for the Annual MCAG Contract.

Recommendation: Adopt the resolution as submitted.

8. PUBLIC HEARING. (If you challenge the proposed action as described herein in court, you may be limited to raising only those issues you or someone else raised at the public hearing described herein or in written correspondence delivered to the City or Redevelopment Agency at, or prior to, the public hearing.)

A. Public Hearing – To Receive Public Comment and Consider Adoption of the 2010/2011 Disadvantaged Business Enterprise Program Update.

1) City Council Resolution No. 5311 – Adopting the 2010/2011 Disadvantaged Business Enterprise (DBE) Program Update for the City of Los Banos in Accordance With the Requirements of the Code of Federal Regulations.

Recommendation: Receive staff report, open public hearing, close the public hearing, and adopt the resolution as submitted.

B. Public Hearing – To Receive Public Comment and Consideration of Minor Revisions to the Recently Adopted Zoning Ordinance Update for the City of Los Banos.

1) Ordinance No. 1097 – Adopting Minor Revisions to the Recently Adopted Comprehensive Zoning Ordinance Update Amending Title 9, Chapter 3 of the Los Banos Municipal Code.

(First Reading & Introduction)

Recommendation: Receive staff report, open public hearing, waive the first reading, and introduce the ordinance as submitted.

9. PRESENTATION BY MERCED COUNTY ASSOCIATION OF GOVERNMENTS (MCAG) REGARDING SHARED SERVICES.

Recommendation: Direction from the City Council on how to proceed.

10. CONSIDERATION OF ADOPTION OF CITY COUNCIL RESOLUTION NO. 5312 – AUTHORIZING THE CITY MANAGER TO EXECUTE A MASTER AGREEMENT, FUTURE AGREEMENTS, AND/OR AMENDMENTS THERETO, RELATING TO THE TELE-WORKS AUTOMATED PHONE SYSTEM.

Recommendation: Adopt the resolution as submitted.

11. PRESENTATION OF ECONOMIC DEVELOPMENT PLAN.

Recommendation: Informational item only, no action to be taken.

12. SUMMARY OF GOVERNOR'S BUDGET PROPOSAL REGARDING REDEVELOPMENT AGENCIES.

Recommendation: Informational item only, no action to be taken.

13. PLANNING COMMISSION APPOINTMENTS.

Recommendation: Direction from the City Council on how to proceed.

14. COUNCIL MEMBER AGENDA REQUESTS. (To see if there is a majority consensus to have staff expend time on the issue and to hear it at a future meeting.)

- A. Request from Council Member Faria to Consider Initiating an Independent and Highly Itemized Cash Flow Analysis of the Los Banos Redevelopment Agency.

Recommendation: Direction from the City Council on how to proceed.

- B. Request from Council Member Faria to Reconsider the Regional Transportation Impact Fee (RTIF) Rates and Structure.

Recommendation: Direction from the City Council on how to proceed.

15. REDEVELOPMENT AGENCY UPDATE.

16. ADVISEMENT OF PUBLIC NOTICES. (One Report)

17. CITY MANAGER / EXECUTIVE DIRECTOR REPORT.

18. CITY COUNCIL / REDEVELOPMENT AGENCY MEMBER REPORTS.

- A. Scott Silveira
- B. Joe Sousa
- C. Elizabeth Stone
- D. Tom Faria
- E. Mayor Mike Villalta

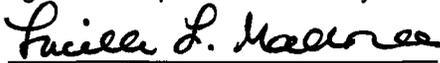
19. CLOSED SESSIONS.

- A. Conference with Real Property Negotiators, Pursuant to Government Code Section 54956.8; Property 1740 D Street, Merced, California, APN: 034-211-023; Negotiators: City Manager, City Attorney, Redevelopment Agency Director, Negotiating Parties: City of Los Banos and Jose C. & Maria E. Moraga; Under Negotiation: Purchase Price and Terms of Sale.

B. Conference with Real Property Negotiators, Pursuant to Government Code Section 54956.8; Property: 1704 East Pacheco Boulevard, a Portion of APN 428-122-004, Agency Negotiator: City Attorney & Public Works Director / City Engineer; Negotiating Parties: City of Los Banos and Vincent Rotondaro et al; Under Negotiation: Purchase Price and Terms of Sale.

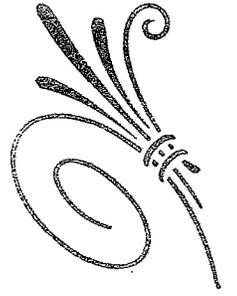
20. ADJOURNMENT.

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted on the City Hall bulletin board not less than 72 hours prior to the meeting.



Lucille L. Mallonee, City Clerk

Dated this 1st day of April 2011



City of Los Banos

At the Crossroads of California

PROCLAMATION RECOGNIZING WEEK OF THE YOUNG CHILD

WHEREAS, the public must be more aware of the needs of young children and their families in a rapidly changing world; and,

WHEREAS, parents, teachers, and child care providers who work with and care for young children must be recognized for their contribution to the good of our society; and,

WHEREAS, all people in a civilized society share the responsibility for the education and protection of young children; and,

WHEREAS, young children and their families care that the development and educational services are available, affordable, and of the highest quality; and,

WHEREAS, public policy should clearly reflect the well-being of young children amongst the state's highest priorities; and,

WHEREAS, in our pluralistic society, public and private agencies and institutions must form productive partnerships and offer rich and varied opportunities for the education of young children, parents, and teachers; and,

WHEREAS, education aims to enhance the children's individual qualities, build their self-respect and foster a sense of responsibility for themselves and their community; and,

WHEREAS, young children are intrinsically motivated to learn and need safe environments that are responsive to their developmental needs to become capable citizens; and,

WHEREAS, each generation of young children renews the society with their sense of wonder, energy, eagerness and vision; and,

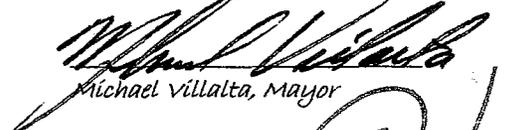
WHEREAS, in the faces of California children, we see the reflection of many cultures and many people who live harmoniously in our state; and,

WHEREAS, young children represent the reality of today and the hopes and dreams of tomorrow.

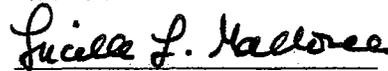
NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos recognize WEEK OF THE YOUNG CHILD to be April 10-16, 2011, "Early Years are Learning Years," and encourage the community to support this worthwhile effort and see this dream come true every year for our children.

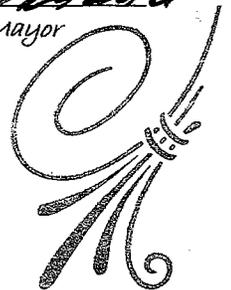
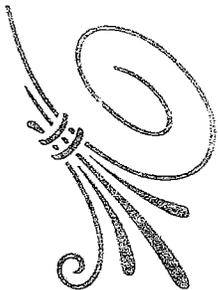
In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:


Michael Villalta, Mayor

ATTEST:


Lucille L. Mallonee, City Clerk





City of
Los Banos

At the Crossroads of California



**PROCLAMATION RECOGNIZING
SERGIO DE ALBA**

WHEREAS, Sergio de Alba has taught at R.M. Miano Elementary School in Los Banos since 2001 and currently teaches sixth-grade students; and

WHEREAS, Sergio de Alba was honored and presented with the 2010 National Agriculture Excellence in Teaching Award by the United States Department of Agriculture; and

WHEREAS, over the past 9 years, Sergio de Alba has built 10 gardens at the R.M. Miano Elementary School campus and scores of children have been a part of a hands-on learning agricultural experience; and

WHEREAS, Sergio de Alba believes in teaching his students about the importance of learning where their food comes from; and

WHEREAS over the years, Sergio de Alba has lead various themed projects such as a rose hybridization project which included planting roses for students to surprise their mothers with on Mother's Day; and

WHEREAS, Sergio de Alba is a humble man who attributes his program's success and the opportunity it provides to the supportive staff at R.M. Miano Elementary School; and

WHEREAS, Sergio de Alba works tirelessly to engage students in a powerful agricultural program extending beyond his classroom walls, as he motivates students to look at agriculture all around them, every day.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos, do hereby recognize Sergio de Alba for his hard work, dedication and community service toward teaching youth the importance of agriculture in our community.

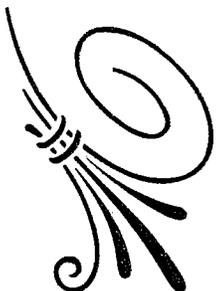
In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk





City of
Los Banos
 At the Crossroads of California



**PROCLAMATION
 RECOGNIZING STEPHEN HAMMOND
 LOS BANOS PLANNING COMMISSIONER**

WHEREAS, STEPHEN HAMMOND was appointed to serve an unexpired term as a member of the Los Banos Planning Commission on December 7, 2005 and reappointed to serve a second term on January 8, 2007; and

WHEREAS, STEPHEN HAMMOND served as Vice Chairperson of the commission during a portion of the 2007 calendar year and served as Chairperson of the commission during the 2008 calendar year; and

WHEREAS, STEPHEN HAMMOND faithfully attended regular meetings of the Los Banos Planning Commission; and

WHEREAS, STEPHEN HAMMOND was a dedicated member of the Los Banos Planning Commission and continually provided his support to the goals and missions of the commission; and

WHEREAS, STEPHEN HAMMOND fulfilled his term as a member of the Los Banos Planning Commission on December 31, 2010.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos do hereby recognize and commend STEPHEN HAMMOND for his dedicated service as a member of the Los Banos Planning Commission.

In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

 Michael Villalta, Mayor

ATTEST:

 Lucille L. Mallonee, City Clerk





City of
Los Banos
At the Crossroads of California



**PROCLAMATION
RECOGNIZING ANN MCCAULEY
LOS BANOS PLANNING COMMISSIONER**

WHEREAS, ANN MCCAULEY was appointed to serve as a member of the Los Banos Planning Commission on May 7, 2008; and

WHEREAS, ANN MCCAULEY faithfully attended regular meetings of the Los Banos Planning Commission; and

WHEREAS, ANN MCCAULEY was a dedicated member of the Los Banos Planning Commission and continually provided her support to the goals and missions of the commission; and

WHEREAS, ANN MCCAULEY fulfilled her term as a member of the Los Banos Planning Commission on December 31, 2010.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos do hereby recognize and commend ANN MCCAULEY for her dedicated service as a member of the Los Banos Planning Commission.

In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk





City of Los Banos

At the Crossroads of California



**PROCLAMATION
RECOGNIZING SHIRLEY NAPOLITANO
LOS BANOS PLANNING COMMISSIONER**

WHEREAS, SHIRLEY NAPOLITANO was appointed to serve as a member of the Los Banos Planning Commission on May 7, 2008; and

WHEREAS, SHIRLEY NAPOLITANO faithfully attended regular meetings of the Los Banos Planning Commission; and

WHEREAS, SHIRLEY NAPOLITANO was a dedicated member of the Los Banos Planning Commission and continually provided her support to the goals and missions of the commission; and

WHEREAS, SHIRLEY NAPOLITANO fulfilled her term as a member of the Los Banos Planning Commission on December 31, 2010.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos do hereby recognize and commend SHIRLEY NAPOLITANO for her dedicated service as a member of the Los Banos Planning Commission.

In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk





City of
Los Banos
At the Crossroads of California



**PROCLAMATION
RECOGNIZING JACK AGUILAR, JR.
LOS BANOS AIRPORT ADVISORY COMMISSIONER**

WHEREAS, JACK AGUILAR, JR. was appointed to serve as a member of the Los Banos Airport Advisory Commission on January 17, 2007; and

WHEREAS, JACK AGUILAR, JR. faithfully attended regular meetings of the Los Banos Airport Advisory Commission; and

WHEREAS, JACK AGUILAR, JR. was a dedicated member of the Los Banos Airport Advisory Commission and continually provided his support to the goals and missions of the commission; and

WHEREAS, JACK AGUILAR, JR. fulfilled his term as a member of the Los Banos Airport Advisory Commission on December 31, 2010.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos do hereby recognize and commend JACK AGUILAR, JR. for his dedicated service as a member of the Los Banos Airport Advisory Commission.

In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk





City of
Los Banos
At the Crossroads of California



**PROCLAMATION
RECOGNIZING ARTURO HERRERA
LOS BANOS PARKS AND RECREATION COMMISSIONER**

WHEREAS, ARTURO HERRERA was appointed to serve as a member of the Los Banos Parks and Recreation Commission on May 7, 2008; and

WHEREAS, ARTURO HERRERA served as vice Chairperson of the commission during the 2009 calendar year; and

WHEREAS, ARTURO HERRERA faithfully attended regular meetings of the Los Banos Parks and Recreation Commission; and

WHEREAS, ARTURO HERRERA was a dedicated member of the Los Banos Parks and Recreation Commission and continually provided his support to the goals and missions of the commission; and

WHEREAS, ARTURO HERRERA fulfilled his term as a member of the Los Banos Parks and Recreation Commission on December 31, 2010.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos do hereby recognize and commend ARTURO HERRERA for his dedicated service as a member of the Los Banos Parks and Recreation Commission.

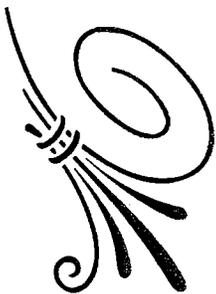
In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk





City of Los Banos

At the Crossroads of California



**PROCLAMATION
RECOGNIZING RAMONA GIULIANI
LOS BANOS CULTURE AND THE ARTS COMMISSIONER**

WHEREAS, RAMONA GIULIANI was appointed to serve as a member of the Los Banos Culture and the Arts Commission on November 5, 2008; and

WHEREAS, RAMONA GIULIANI served as Chairperson of the commission during the 2009 and 2010 calendar years; and

WHEREAS, RAMONA GIULIANI faithfully attended regular meetings of the Los Banos Culture and the Arts Commission; and

WHEREAS, RAMONA GIULIANI was a dedicated member of the Los Banos Culture and the Arts Commission and continually provided her support to the goals and missions of the commission; and

WHEREAS, RAMONA GIULIANI fulfilled her term as a member of the Los Banos Culture and the Arts Commission on December 31, 2010.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos do hereby recognize and commend RAMONA GIULIANI for her dedicated service as a member of the Los Banos Culture and the Arts Commission.

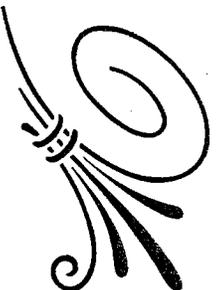
In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

Michael Villalta, Mayor

ATTEST:

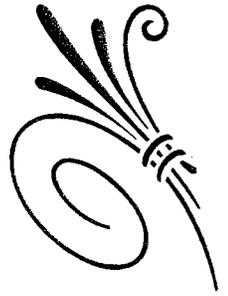
Lucille L. Mallonee, City Clerk





City of Los Banos

At the Crossroads of California



**PROCLAMATION
RECOGNIZING REBECCA PALMER
LOS BANOS CULTURE AND THE ARTS COMMISSIONER**

WHEREAS, REBECCA PALMER was appointed to serve as a member of the Los Banos Culture and the Arts Commission on November 5, 2008; and

WHEREAS, REBECCA PALMER faithfully attended regular meetings of the Los Banos Culture and the Arts Commission; and

WHEREAS, REBECCA PALMER was a dedicated member of the Los Banos Culture and the Arts Commission and continually provided her support to the goals and missions of the commission; and

WHEREAS, REBECCA PALMER fulfilled her term as a member of the Los Banos Culture and the Arts Commission on December 31, 2010.

NOW, THEREFORE, BE IT PROCLAIMED that the Mayor and City Council Members of the City of Los Banos do hereby recognize and commend REBECCA PALMER for her dedicated service as a member of the Los Banos Culture and the Arts Commission.

In witness whereof, I have hereunto set my hand and caused to be affixed the seal of the City of Los Banos, this 6th day of April 2011.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk



CK #127683 - #128082 04/6/11 \$1,769,551.54

Bank Reconciliation

Checks By Date



City of
Los Banos
At the Crossroads of California

03/28/2011 - 8:21 AM

User: jdemelo

Cleared and Not Cleared Checks

Check No	Check Date	Name	Comment	ModuleVoid	Clear Date	Amount
127684	03/11/2011	ABS Presort Inc		AP		3,006.23
127685	03/11/2011	Air Petro Corp		AP		24,513.17
127686	03/11/2011	Ameripride Valley Uniform Serv		AP		1,177.43
127687	03/11/2011	Aramark Uniform Ser Inc		AP		858.26
127688	03/11/2011	AT&T		AP		872.44
127689	03/11/2011	AT&T		AP		2,758.99
127690	03/11/2011	Baker Supplies & Repair		AP		69.59
127691	03/11/2011	Battery Systems, Inc.		AP		108.75
127692	03/11/2011	Bruce's Tire Inc		AP		321.27
127693	03/11/2011	BSK		AP		190.00
127694	03/11/2011	Burton's Fire Inc.		AP		15.84
127695	03/11/2011	CDW Government, Inc		AP		24,936.83
127696	03/11/2011	Ca Dept of Justice		AP		1,327.00
127697	03/11/2011	Chevron Usa Inc		AP		84.50
127698	03/11/2011	CompuCom		AP		7,662.86
127699	03/11/2011	Copy Shipping Solutions		AP		276.71
127700	03/11/2011	CSI Forensic Supply		AP		557.02
127701	03/11/2011	LN Curtis & Sons		AP		33,025.20
127702	03/11/2011	Dell Marketing L P		AP		21,223.59
127703	03/11/2011	Department of Public Health		AP		90.00
127704	03/11/2011	Doug Boyer Construction		AP		441.20
127705	03/11/2011	Emergency Vehicle Outfitters		AP		929.22
127706	03/11/2011	Farm Plan		AP		584.24
127707	03/11/2011	Ferguson Enterprises Inc		AP		355.39
127708	03/11/2011	Ferrellgas, Inc.		AP		594.33
127709	03/11/2011	Fisher Scientific Company, LLC		AP		193.98
127710	03/11/2011	Golden State Flow		AP		7,222.78
127711	03/11/2011	Goodwin Consulting Group		AP		5,117.50
127712	03/11/2011	Helena Chemical Co Inc		AP		595.38
127713	03/11/2011	Heppner Precision Machine		AP		34.00
127714	03/11/2011	Hi Tech Emergency Vehicle Serv		AP		1,730.46
127715	03/11/2011	Home Depot		AP		32.77
127716	03/11/2011	Ikon Office Solutions, Inc.		AP		469.49
127717	03/11/2011	Ikon Office Solutions, Inc.		AP		121.80
127718	03/11/2011	Kleinfelder Inc		AP		937.60
127719	03/11/2011	Legends Sports Photography & T		AP		312.12
127720	03/11/2011	Liebert Cassidy Whitmore		AP		3,900.00
127721	03/11/2011	James C Lopez		AP		688.00
127724	03/11/2011	Los Banos Express Oil & Lube		AP		84.26
127725	03/11/2011	Los Banos Superior Court		AP		100.00
127726	03/11/2011	Los Banos Rental Yard Inc		AP		489.25
127727	03/11/2011	Los Banos Vet Clinic		AP		693.00
127728	03/11/2011	Lowe's Business Account		AP		66.64
127729	03/11/2011	Marfab Inc		AP		73.96
127730	03/11/2011	Maze & Associates		AP		24,345.00
127731	03/11/2011	Merced County Assessor		AP		400.00
127732	03/11/2011	Merced Hesston Inc		AP		516.97
127733	03/11/2011	Merced Sun Star		AP		453.00
127734	03/11/2011	Napa Auto Parts		AP		233.59
127735	03/11/2011	Nextel		AP		190.88

Check No	Check Date	Name	Comment	ModuleVoid	Clear Date	Amount
127736	03/11/2011	The Office City		AP		713.29
127737	03/11/2011	Owen Equipment Sales		AP		293.60
127738	03/11/2011	OSE		AP		52.07
127739	03/11/2011	The Phone Connection Inc		AP		495.00
127740	03/11/2011	PR Diamonds Products Inc.		AP		345.00
127741	03/11/2011	Protech Security & Electronics		AP		240.00
127742	03/11/2011	Quality Towing, Inc.		AP		175.00
127743	03/11/2011	Radio Shack Accounts Rec		AP		5.97
127744	03/11/2011	Ronny's Landscaping		AP		25,184.00
127745	03/11/2011	Ronny's Landscaping		AP		5,921.10
127746	03/11/2011	Santos Ford Lincoln Mercury, I		AP		2,101.79
127747	03/11/2011	Save Mart Supermarkets		AP		171.28
127748	03/11/2011	Sherwin Williams Co		AP		151.19
127749	03/11/2011	Silveria Electric		AP		631.44
127750	03/11/2011	Snap On Tools		AP		394.23
127751	03/11/2011	Sorensens True Value		AP		442.24
127752	03/11/2011	Jose Arturo Sandoval		AP		393.82
127753	03/11/2011	Toscano Upholstery		AP		64.47
127754	03/11/2011	Tractor Supply Credit Plan		AP		146.78
127755	03/11/2011	USA Blue Book		AP		327.20
127756	03/11/2011	Fernando & Elizabeth Buenrostro		AP		100.00
127757	03/11/2011	Reba Hickman		AP		48.79
127758	03/11/2011	David Duke		AP		18.79
127759	03/11/2011	Agustine & Dellanira Gaspar		AP		54.69
127760	03/11/2011	Hector Sanchez & Genoveva Herna		AP		52.73
127761	03/11/2011	Marie Manriquez		AP		105.60
127762	03/11/2011	Annette Parras		AP		50.76
127763	03/11/2011	Real Estate Connections, Karen		AP		68.48
127764	03/11/2011	Realty Executives, Armando Dia		AP		50.76
127765	03/11/2011	Angelica Sandoval		AP		52.73
127766	03/11/2011	Westhill Real Estate		AP		25.61
127767	03/11/2011	Aurora Zapien		AP		40.91
127768	03/11/2011	State Farm Insurance		AP		96.05
127769	03/11/2011	Jose Gutierrez		AP		143.83
127770	03/11/2011	Delin Li		AP		29.69
127771	03/11/2011	Martha Lupercio		AP		20.76
127772	03/11/2011	Felipe Rodriguez		AP		48.79
127773	03/11/2011	Alvernaz Investments		AP		23.79
127774	03/11/2011	Atlantic & Pacific Real Estate		AP		58.64
127775	03/11/2011	Atlantic & Pacific Real Estate		AP		57.34
127776	03/11/2011	Kira Birdsall		AP		69.08
127777	03/11/2011	Cristanta Zepeda-Mory		AP		23.79
127778	03/11/2011	James Gillio		AP		92.80
127779	03/11/2011	Ken & Jeri Butler		AP		21.82
127780	03/11/2011	Alfredo Ramirez		AP		31.07
127781	03/11/2011	Marina Rosas		AP		23.79
127782	03/11/2011	Ruth Estrada		AP		54.69
127783	03/11/2011	Veronica Palacios		AP		15.90
127784	03/11/2011	Edwards Property Management		AP		17.88
127785	03/11/2011	Ryan & Amanda Tenison		AP		46.82
127786	03/11/2011	Amina Alburati		AP		5.46
127787	03/11/2011	Maria Soria		AP		21.82
127788	03/11/2011	Nikki Tully		AP		33.64
127789	03/11/2011	Theodore and Tracey Wood		AP		12.84
127790	03/11/2011	Grasco Oil Company, Inc.		AP		29.69
127791	03/11/2011	Henry & Olga Da Silva		AP		62.57
127792	03/11/2011	Field Asset Services, Inc		AP		33.64
127793	03/11/2011	Jorge Munoz		AP		80.91
127794	03/11/2011	Field Assets Services		AP		15.90
127795	03/11/2011	Louis Campbell		AP		54.69
127796	03/11/2011	Albert and Kristin Erratchu		AP		90.15
127797	03/11/2011	Antonio & Miriam Munoz Jr		AP		59.09

Check No	Check Date	Name	Comment	Module	Void	Clear Date	Amount
127798	03/11/2011	Coldwell Banker/H & L Real Est		AP			38.68
127799	03/11/2011	Liberty Tax Services		AP			678.43
127800	03/11/2011	Walmart		AP			23.66
127801	03/11/2011	Windecker Inc		AP			1,428.36
127802	03/11/2011	Zoom Imaging Solutions, Inc.		AP			238.17
127825	03/18/2011	A & A Portables Inc		AP			505.87
127826	03/18/2011	AECOM Water (Boyle)		AP			15,346.16
127827	03/18/2011	Aflac-Customer Service		AP			179.25
127828	03/18/2011	Aflac-Customer Service		AP			238.70
127829	03/18/2011	Aflac-Customer Service		AP			53.90
127830	03/18/2011	Aflac-Customer Service		AP			122.89
127831	03/18/2011	Allied Waste Services #917		AP			225,946.95
127832	03/18/2011	Ameripride Valley Uniform Serv		AP			442.68
127833	03/18/2011	Anthony Gomes Electric Service		AP			1,312.50
127834	03/18/2011	Aramark Uniform Ser Inc		AP			641.75
127835	03/18/2011	AT&T		AP			357.22
127836	03/18/2011	AT&T		AP			184.58
127837	03/18/2011	Bank of America		AP			87,313.33
127838	03/18/2011	Bank of America		AP			3,140.12
127839	03/18/2011	Bank of America		AP			12,113.91
127840	03/18/2011	Best Best & Krieger		AP			2,371.60
127841	03/18/2011	BJ's Consumers Choice		AP			313.00
127842	03/18/2011	Brenntag Pacific Inc		AP			4,828.51
127843	03/18/2011	Brinks Inc.		AP			494.87
127844	03/18/2011	BSK		AP			967.00
127845	03/18/2011	State of California-Vrc		AP			76.10
127846	03/18/2011	California Dairies Inc		AP			689.65
127847	03/18/2011	Cal Traffic		AP			2,072.67
127848	03/18/2011	City of Merced		AP			75.43
127849	03/18/2011	CCID		AP			28,251.94
127850	03/18/2011	Comcast		AP			99.95
127851	03/18/2011	Comcast		AP			94.95
127852	03/18/2011	Cook's Communications Corp.		AP			234.08
127853	03/18/2011	Cornflower Farms		AP			1.98
127854	03/18/2011	LN Curtis & Sons		AP			163.01
127855	03/18/2011	City of Los Banos Utility		AP			16.34
127856	03/18/2011	Dell Marketing L P		AP			7,281.37
127857	03/18/2011	Department of Public Health		AP			60.00
127858	03/18/2011	Electrical Distributors Co.		AP			496.75
127859	03/18/2011	Hilton Farnkopf & Hobson		AP			3,834.60
127860	03/18/2011	Fastenal Company		AP			887.64
127861	03/18/2011	Federal Express		AP			15.35
127862	03/18/2011	Ferguson Enterprises Inc		AP			2,808.89
127863	03/18/2011	Franchise Tax Board		AP			382.47
127864	03/18/2011	Golden State Flow		AP			5,232.55
127865	03/18/2011	Habitat for Humanity Westside		AP			2,527.00
127866	03/18/2011	Hartford Life Ins Co		AP			5,905.25
127867	03/18/2011	Hartford Life Ins Co		AP			48.55
127868	03/18/2011	Hartford Life Ins Co		AP			54.38
127869	03/18/2011	Hartford Life Ins Co		AP			44.62
127870	03/18/2011	Hartford Life Ins Co		AP			45.37
127871	03/18/2011	Hartford Life Ins Co		AP			24.78
127872	03/18/2011	Hartford Life Ins Co		AP			30.45
127873	03/18/2011	Hartford Life Ins Co		AP			74.57
127874	03/18/2011	Hartford Life Ins Co		AP			51.82
127875	03/18/2011	Hartford Life Ins Co		AP			42.60
127876	03/18/2011	Hi Tech Emergency Vehicle Serv		AP			48.76
127877	03/18/2011	Holt Bros		AP			609.48
127878	03/18/2011	Home Depot		AP			350.46
127879	03/18/2011	Don Hughes Photography		AP	Void		210.00
127880	03/18/2011	ICMA-RC Headquarters		AP			200.00
127881	03/18/2011	J W Professional Janitor		AP			6,855.00

Check No	Check Date	Name	Comment	ModuleVoid	Clear Date	Amount
127882	03/18/2011	Kleinfelder Inc		AP		5,455.60
127883	03/18/2011	Laser Impressions, Inc.		AP		700.46
127884	03/18/2011	Los Banos Express Oil & Lube		AP		163.81
127885	03/18/2011	Los Banos Enterprise		AP		46.33
127886	03/18/2011	Los Banos Fitness &		AP		766.50
127887	03/18/2011	Los Banos Police Assn		AP		2,226.00
127888	03/18/2011	Lowe's		AP		179.83
127889	03/18/2011	Marfab Inc		AP		322.96
127890	03/18/2011	Matson Alarm Co Inc		AP		180.00
127891	03/18/2011	Maze & Associates		AP		1,260.00
127892	03/18/2011	Merced County Clerk		AP		50.00
127893	03/18/2011	Merced County Environmental He		AP		616.50
127894	03/18/2011	Merced Sun Star		AP		525.90
127895	03/18/2011	Merced Uniform & Accessories		AP		706.88
127896	03/18/2011	Murphy Austin Adams Schoenfeld		AP		8,675.40
127897	03/18/2011	Napa Auto Parts		AP		892.45
127898	03/18/2011	New Pig Corporation		AP		655.13
127899	03/18/2011	Nextel		AP		1,228.19
127900	03/18/2011	Normac Inc		AP		1,542.16
127901	03/18/2011	The Office City		AP		318.64
127902	03/18/2011	OSE		AP		439.50
127903	03/18/2011	OpticsPlanet, Inc.		AP		1,579.40
127904	03/18/2011	O'Reilly Auto Parts		AP		1,894.25
127905	03/18/2011	OnTrac		AP		3.36
127906	03/18/2011	Our Lady of Fatima		AP		500.00
127907	03/18/2011	P G & E Company		AP		77,724.26
127908	03/18/2011	P G & E Company		AP		13,555.57
127909	03/18/2011	P G & E Company		AP		2,286.11
127910	03/18/2011	Nationwide Retiremt Solut		AP		1,885.00
127911	03/18/2011	Evelyn Pereira		AP		85.55
127912	03/18/2011	PERS - Public Employees		AP		105,750.57
127913	03/18/2011	PERS Long Term Care		AP		419.54
127914	03/18/2011	Pinnacle Medical Group		AP		265.00
127915	03/18/2011	Pitney Bowes Inc		AP		732.00
127916	03/18/2011	Precision Inspection Co., Inc.		AP		6,703.77
127917	03/18/2011	Professional Fire Fighter		AP		350.00
127918	03/18/2011	Pro Clean Supply		AP		199.45
127919	03/18/2011	Ronny's Landscaping		AP		26,034.00
127920	03/18/2011	Ronny's Landscaping		AP		2,515.00
127921	03/18/2011	Safe T Lite		AP		2,712.00
127922	03/18/2011	The Saw Shop		AP		44.13
127923	03/18/2011	Santos Ford Lincoln Mercury, I		AP		216.81
127924	03/18/2011	Save Mart Supermarkets		AP		53.16
127925	03/18/2011	Sierra Chemical Co		AP		1,607.04
127926	03/18/2011	Merced County Solid Waste Div.		AP		1,948.38
127927	03/18/2011	Merced County Solid Waste Div.		AP		50,061.51
127928	03/18/2011	Merced County Solid Waste Div.		AP		2,626.42
127929	03/18/2011	Sorensens True Value		AP		586.65
127930	03/18/2011	Spriggs Inc		AP		369.45
127931	03/18/2011	State Disbursement Unit		AP		301.00
127932	03/18/2011	State Disbursement Unit		AP		441.00
127933	03/18/2011	State Disbursement Unit		AP		244.00
127934	03/18/2011	State Disbursement Unit		AP		174.00
127935	03/18/2011	State Disbursement Unit		AP		572.00
127936	03/18/2011	State Disbursement Unit		AP		208.50
127937	03/18/2011	Larry Popolizio		AP		270.63
127938	03/18/2011	Steitz Service, Inc.		AP		75.00
127939	03/18/2011	Stiles Truck Body & Equipment,		AP		231.16
127940	03/18/2011	Stradling Yocca Carlson & Raut		AP		3,567.63
127941	03/18/2011	Sysco of Central Ca Inc.		AP		1,094.35
127942	03/18/2011	Toscano Upholstery		AP		126.15
127943	03/18/2011	Tractor Supply Credit Plan		AP		569.30

Check No	Check Date	Name	Comment	Module Void	Clear Date	Amount
127944	03/18/2011	Triangle Rock Products		AP		1,785.57
127945	03/18/2011	US Bank Corp Pymt System		AP		18,110.46
127946	03/18/2011	Brian Daguerra		AP		63.18
127947	03/18/2011	Paul Morales		AP		24.55
127948	03/18/2011	Alejandra Luna Perez		AP		67.13
127949	03/18/2011	Tisha Reese		AP		55.59
127950	03/18/2011	Amrik Singh		AP		55.30
127951	03/18/2011	Blanca Aguiar		AP		34.39
127952	03/18/2011	Odilon Tovar		AP		6.06
127953	03/18/2011	Tiana Guerrero		AP		24.55
127954	03/18/2011	Paul Green		AP		24.55
127955	03/18/2011	Christina Rose		AP		4.09
127956	03/18/2011	John Armendariz		AP		50.60
127957	03/18/2011	Christina Jacquez		AP		4.09
127958	03/18/2011	Sabrina Vasquez		AP		4.09
127959	03/18/2011	Daniel Ketchum		AP		4.39
127960	03/18/2011	Elizabeth Fuentes		AP		83.64
127961	03/18/2011	Law Offices of William A Vaugh		AP		7,522.50
127962	03/18/2011	Law Offices of William A Vaugh		AP		2,981.25
127963	03/18/2011	Law Offices of William A Vaugh		AP		604.68
127964	03/18/2011	Westamerica Bank - Cafeteria P		AP		8,596.85
127965	03/18/2011	Westside Water Conditioning		AP		116.00
127966	03/18/2011	Windecker Inc		AP		19,846.17
127968	03/23/2011	Aflac-Customer Service		AP		13.35
127969	03/23/2011	Aflac-Customer Service		AP		10.95
127970	03/23/2011	Bank of America		AP		364.24
127971	03/23/2011	Bank of America		AP		19.81
127972	03/23/2011	Bank of America		AP		48.78
127973	03/23/2011	Nationwide Retiremt Solut		AP		25.00
127974	03/23/2011	Westamerica Bank - Cafeteria P		AP		22.85
127975	03/24/2011	Westamerica Bank - Cafeteria P		AP		46,070.75
127988	03/25/2011	Yaochi Abarca		AP		72.00
127989	03/25/2011	ABS Presort Inc		AP		2,760.13
127990	03/25/2011	Air Petro Corp		AP		23,250.16
127991	03/25/2011	All American Plumbing		AP		99.30
127992	03/25/2011	Ameripride Valley Uniform Serv		AP		142.73
127993	03/25/2011	Anthony Gomes Electric Service		AP		38.74
127994	03/25/2011	Aramark Uniform Ser Inc		AP		143.19
127995	03/25/2011	AT&T		AP		873.94
127996	03/25/2011	Battery Systems, Inc.		AP		1,140.26
127997	03/25/2011	Bay City Tow		AP		45.00
127998	03/25/2011	Tiffany Bejarano		AP		214.20
127999	03/25/2011	BJ's Consumers Choice		AP		200.00
128000	03/25/2011	Bruce's Tire Inc		AP		2,631.08
128001	03/25/2011	BSK		AP		60.00
128002	03/25/2011	Oswaldo Borjorquez		AP		50.00
128003	03/25/2011	Cal Traffic		AP		1,044.74
128004	03/25/2011	Central Concrete		AP		131.31
128005	03/25/2011	CSJVRMA		AP		151,982.00
128006	03/25/2011	Clark Pest Control Inc		AP		180.00
128007	03/25/2011	Comcast		AP		99.95
128008	03/25/2011	Comcast		AP		99.95
128009	03/25/2011	Copy Shipping Solutions		AP		19.57
128010	03/25/2011	City of Los Banos Utility		AP		2,944.55
128011	03/25/2011	City of Los Banos Utility		AP		295.45
128012	03/25/2011	Custom Locksmith & Alarm Inc.		AP		181.96
128013	03/25/2011	Dept. of Industrial Relations		AP		225.00
128014	03/25/2011	Don's Mobile Glass		AP		210.00
128015	03/25/2011	Merced County District Attorne		AP		932.32
128016	03/25/2011	Dowling, Aaron, Keeler, Inc.		AP		6,893.46
128017	03/25/2011	Fastenal Company		AP		363.31
128018	03/25/2011	Fast Track Car Wash		AP		10.50

Check No	Check Date	Name	Comment	Module Void	Clear Date	Amount
128019	03/25/2011	Galls Inc		AP		419.33
128020	03/25/2011	George Reed, Inc		AP		108,113.41
128021	03/25/2011	Darrall Gargano		AP		342.30
128022	03/25/2011	Aaron J. Gomes		AP		30.00
128023	03/25/2011	Goodwin Consulting Group		AP		6,230.05
128024	03/25/2011	Great Pacific Exterminator Co.		AP		75.00
128025	03/25/2011	Habitat for Humanity Westside		AP		22,122.00
128026	03/25/2011	Heppner Precision Machine		AP		12.22
128027	03/25/2011	Holt Bros		AP		345.42
128028	03/25/2011	Home Depot		AP		483.07
128029	03/25/2011	Ikon Office Solutions, Inc.		AP		597.65
128030	03/25/2011	James C Lopez		AP		688.00
128031	03/25/2011	Los Banos Ministries		AP		826.00
128032	03/25/2011	Steve Macillas		AP		157.50
128033	03/25/2011	Marfab Inc		AP		166.57
128034	03/25/2011	McNamara Sports Inc		AP		2,241.77
128035	03/25/2011	Merced County Association of G		AP		7,278.67
128036	03/25/2011	Merced County Dept Of Agricult		AP		291.50
128037	03/25/2011	Merced Uniform & Accessories		AP		163.58
128038	03/25/2011	Paula Kathleen Moore		AP		200.40
128039	03/25/2011	Sable Martinez		AP		325.00
128040	03/25/2011	N & S Dos Palos Tractor		AP		187.41
128041	03/25/2011	Napa Auto Parts		AP		63.61
128042	03/25/2011	Rommeliene Nation		AP		39.00
128043	03/25/2011	Nextel		AP		931.40
128044	03/25/2011	The Office City		AP		387.77
128045	03/25/2011	Office Equipment Fin Serv		AP		486.44
128046	03/25/2011	OSE		AP		601.16
128047	03/25/2011	OnTrac		AP		20.16
128048	03/25/2011	P G & E Company		AP		8.39
128049	03/25/2011	P G & E Company		AP		21.78
128050	03/25/2011	Anthony Parker		AP		50.00
128051	03/25/2011	PERS - Public Employees		AP		105,824.98
128052	03/25/2011	Radio Shack Accounts Rec		AP		2.17
128053	03/25/2011	Recall Secure Destruction Serv		AP		240.74
128054	03/25/2011	Shawna Roland		AP		30.00
128055	03/25/2011	Safe T Lite		AP		2,282.73
128056	03/25/2011	Scott Savage		AP		752.50
128057	03/25/2011	Santos Ford Lincoln Mercury, I		AP		40.00
128058	03/25/2011	Save Mart Supermarkets		AP		226.16
128059	03/25/2011	Frank Ortiz		AP		850.00
128060	03/25/2011	Sorensens True Value		AP		815.38
128061	03/25/2011	Taser International		AP		598.13
128062	03/25/2011	Tractor Supply Credit Plan		AP		150.49
128063	03/25/2011	Two Wheels Inc.		AP		456.12
128064	03/25/2011	United States Post Office		AP		185.00
128065	03/25/2011	Louis Lee		AP		55.30
128066	03/25/2011	Robert Orellana		AP		10.28
128067	03/25/2011	Realty Executives, Armando Dia		AP		4.35
128068	03/25/2011	Remax, Tammy Miller		AP		20.61
128069	03/25/2011	Betty Ro		AP		17.76
128070	03/25/2011	DLP Real Estate, Inc.		AP		88.18
128071	03/25/2011	Robert Horta		AP		39.85
128072	03/25/2011	Delia Leon		AP		64.55
128073	03/25/2011	Raymond Ruiz		AP		77.73
128074	03/25/2011	Atlantic & Pacific Real Estate		AP		52.73
128075	03/25/2011	Jihong Chen		AP		57.34
128076	03/25/2011	Ana Caldera		AP		46.83
128077	03/25/2011	Walmart		AP		436.70
128078	03/25/2011	Westamerica Bank - Cafeteria P		AP		202,667.46
128079	03/25/2011	Westamerica Bank - Cafeteria P		AP		10,691.56
128080	03/25/2011	Jennifer Williams		AP		1,452.50

Check No	Check Date	Name	Comment	Module Void	Clear Date	Amount
128081	03/25/2011	Windecker Inc		AP		1,524.66
128082	03/25/2011	Emi Zako		AP		117.00
Total for Valid Checks:						1,769,551.54
Total Valid Checks:						361
Total Void Checks:						1
Total Checks:						362

Break in Check Sequence due to the following
 Check # 127683, 127722-127723 (Unused Checks)
 Check # 127803-127824, 127967 (Payroll Checks)

**CITY OF LOS BANOS
CITY COUNCIL / REDEVELOPMENT AGENCY MEETING MINUTES
FEBRUARY 16, 2011**

ACTION MINUTES – These minutes are prepared to depict action taken for agenda items presented to the City Council. For greater detail of this meeting refer to the electronic media (CD and/or audio) kept as a permanent record.

CALL TO ORDER: Mayor Villalta called the City Council / Redevelopment Agency Meeting to order at the hour of 7:01 p.m.

PLEDGE OF ALLEGIANCE: Police Chief Brizzee led the pledge of allegiance.

ROLL CALL – MEMBERS OF THE CITY COUNCIL / REDEVELOPMENT AGENCY

PRESENT: Tom Faria, Scott Silveira, Joe Sousa, Elizabeth Stone, Mayor Michael Villalta; **ABSENT:** None

STAFF MEMBERS PRESENT: City Attorney Vaughn, City Clerk/Human Resources Director Mallonee, City Treasurer/Accountant II Brazil, City Manager Rath, Fire Chief Guintini, Police Chief Brizzee, Public Works Director/City Engineer Fachin, Redevelopment Agency Director Post, Planning Director Fitzgerald, and Information Technology Director Spalding.

CONSIDERATION OF APPROVAL OF AGENDA: Motion by Faria, seconded by Stone to approve the agenda as submitted. The motion carried by the affirmative action of all City Council / Redevelopment Agency Members present.

PUBLIC FORUM: MEMBERS OF THE PUBLIC MAY ADDRESS THE CITY COUNCIL / REDEVELOPMENT AGENCY MEMBERS ON ANY ITEM OF PUBLIC INTEREST THAT IS WITHIN THE JURISDICTION OF THE CITY; INCLUDES AGENDA AND NON-AGENDA ITEMS. NO ACTION WILL BE TAKEN ON NON-AGENDA ITEMS. SPEAKERS ARE LIMITED TO A FIVE (5) MINUTE PRESENTATION. DETAILED GUIDELINES ARE POSTED ON THE COUNCIL CHAMBER INFORMATIONAL TABLE.

DIANA INGRAM, Los Banos, spoke regarding the upcoming Soroptimist Wine & Cheese Event being held on March 25, 2011, the Big Tea event on March 26, 2011, and encouraged all to attend through a song; TOM KALJIAN, Los Banos, spoke to comments made at the previous Council Meeting and clarified that Mr. Sam Watson, developer of the Walgreen's center and Home Depot center, informed him over a year ago that Marie Callendars notified him that they would not be coming to Los Banos if the Regional Transportation Impact Fee (RTIF) was passed; NORM DONOVAN, Los Banos, read from a prepared statement regarding the appointments to the Planning Commission and tendered his resignation as Planning Commissioner effective immediately; CHRIS TYLER, representing Senator Anthony Cannella, introduced himself, gave a brief update on what is going on in Sacramento, spoke of how he will be fighting hard on behalf of the local municipalities, value of Redevelopment Agencies,

California Environmental Quality Act (CEQA) reform, extension of a higher tax credit, and renewable energy mandates; RHONDA LOWE, President of the Los Banos Chamber of Commerce, spoke regarding the upcoming Tomato Festival and how they are gearing up for the event and encouraged all to attend, new visitors' guide, upcoming focus on tourism meeting on February 24, 2011 at 6:30 p.m. at the Vagabond Inn; MAICHE DOMINGUEZ, Los Banos, spoke regarding the commemoration/celebration of Cesar Chavez on March 26, 2011, invited the City Council to attend the celebration, and the need to fight diabetes and obesity; SCOTT DEGES, Los Banos, invited all to an upcoming veterans event being held on June 11, 2011 at Pacheco Park to assist veterans in getting the information they need for benefits and health care, welcome home veterans, recognize gold star families, spoke of his need of the use of the entire Pacheco park, goal is to get the word out to veterans so they know about the services that are available to them, and requested that the Council assist by waiving the fees for the use of the entire park for the event; Mayor Villalta asked Mr. Deges to submit a formal written request to the City Council and they will consider the request at a future meeting; ELLIE DIDEQO, an Iraq Veteran, spoke regarding her experience as a veteran returning from war and the need to get them engaged in the community and in touch with services available to them; Mayor Pro Tem Faria asked that Ms. Didiqo to include the City Council on informational emails that they send out so that they can stay abreast of what the veterans are currently doing. No one else came forward to speak and the public forum was closed.

CONSIDERATION OF APPROVAL OF CONSENT AGENDA. Mayor Villalta complimented Public Works Director/City Engineer Fachin on how beautiful the streets look.

Public Works Director/City Engineer Fachin spoke to how much time was spent on this project and how they will get reimbursed for most of the time.

Council Member Faria complimented the Public Works Department on how he has gotten comments from citizens on how the streets have never looked better.

Council Member Silveira asked to remove Item 6F City Council Resolution No. 5302 – In Recognition of and a Pledge to Support the Formation of the “Merced Area Crime Stopper’s” Program for discussion.

Motion by Sousa, seconded by Faria to approve the consent agenda with the removal of Item 6F City Council Resolution No. 5302 – In Recognition of and a Pledge to Support the Formation of the “Merced Area Crime Stopper’s” Program for discussion as follows: Check Register for #126872 – #127212 in the Amount of \$990,557.96; Minutes for the January 5, 2011 City Council / Redevelopment Agency Meeting; City Council Resolution No. 5299 – Accepting the Los Banos 2010 Street Overlays as Complete and Authorizing the Filing of a Notice of Completion with the Merced County Recorder; City Council Resolution No. 5300 – Amending the Fiscal Year 2010-2011 Budget by Increasing the Appropriation Amount in the Justice Assistance Grant (JAG) Fund for Expenditures in the Amount of \$7,224.80 for Police Department Patrol

Officers, Detectives, Dispatchers and Community Services Officers; City Council Resolution No. 5301 – Amending the Fiscal Year 2010-2011 Budget by Transferring the Appropriation Amount of \$84,464.55 from Information Technology Reserve Balance to Information Technology-Computer Equipment and Approving the Expenditure of \$84,464.55 for the Police Department Critical Application Server Project; ~~City Council Resolution No. 5302 – In Recognition of and a Pledge to Support the Formation of the “Merced Area Crime Stopper’s” Program.~~ The motion carried by the affirmative action of all City Council / Redevelopment Agency Members present.

CITY COUNCIL RESOLUTION NO. 5302 – IN RECOGNITION OF AND A PLEDGE TO SUPPORT THE FORMATION OF THE “MERCED AREA CRIME STOPPER’S” PROGRAM. Council Member Silveira asked that Police Chief Brizzee speak to the program being formed, which he did.

Mayor Villalta asked Police Chief Brizzee to speak briefly to the report he will be presenting at the March 16, 2011 meeting, which he did.

Motion by Silveira, seconded by Faria to adopt City Council Resolution No. 5302 – In Recognition of and a Pledge to Support the Formation of the “Merced Area Crime Stopper’s” Program. The motion carried by the affirmative action of all City Council / Redevelopment Agency Members present.

CONGESTION MITIGATION AND AIR QUALITY (CMAQ) GRANT FOR LOS BANOS TRAFFIC SYNCHRONIZATION PROJECT. Public Works Director/City Engineer Fachin presented the staff report and introduced Marjie Kirn of Merced County Association of Governments (MCAG) who was present tonight.

There was council member and staff discussion regarding the excellent work and expertise that has been put on this, whether it is possible to keep the money in Los Banos, this being directed to the 2010-2011 fiscal year, and project proposal would have to be placed on the March 2011 Merced County Association of Governments (MCAG) agenda.

Mayor Pro Tem Faria complimented Public Works Director/City Engineer Fachin on his expertise and hard work.

City Manager Rath asked Ms. Kirn to explain how the CMAQ grants come before the board for approval, in which she explained the process.

Council Member Sousa commended Public Works Director/City Engineer Fachin and his staff for the work they have done, going after this funding for quite some time, spoke of their recommendation being the right thing to do, importance of spending the money in this region, the need to compete for the money, and the importance of Council Members to go through staff with questions and not outside agencies because it could hurt the City’s relationship with that agency.

Mayor Pro Tem Faria responded to Council Member Sousa's comments and stated that he contacted CalTrans and to MCAG to get the answers he needed to make decisions and highly respects the intelligence and skill level of the City's staff.

Council Member Sousa cautioned Council Members that being elected does not make you an expert at anything, reminded them that staff is available and respect is due.

Council Member Stone thanked Public Works Director/City Engineer Fachin, Assistant Public Works Director Hutsell, and Ms. Kirn for all their work, spoke of how wonderful staff has been and has used staff to communicate with other agencies.

Motion by Faria, seconded by Silveira to direct staff to return the CMAQ grant, look into other air mitigation projects for the CMAQ grant funding, and to ask MCAG to put the item on their agenda to reconsider our reapplication for such a grant. The motion carried by the affirmative action of all City Council / Redevelopment Agency Members present.

CONSIDERATION OF APPOINTMENT TO THE MERCED COUNTY ECONOMIC DEVELOPMENT CORPORATION (MCEDCO) BOARD. Redevelopment Agency Director Post presented the staff report.

Motion by Villalta, seconded by Faria to recommend Silveira as the appointee to the MCEDCO board. The motion carried by the affirmative action of all City Council / Redevelopment Agency Members present.

NOTICE & ANNOUNCEMENT OF COMMISSION VACANCY – ONE (1) VACANCY ON THE CULTURE & THE ARTS COMMISSION, TERM EXPIRING DECEMBER 31, 2011. Motion by Villalta, seconded by Faria to appoint Council Member Silveira to serve with the Mayor on the Selection Committee for the Culture & the Arts Commission and direct staff to advertise the vacancy. The motion carried by the affirmative action of all City Council / Redevelopment Agency Members present.

REDEVELOPMENT AGENCY UPDATE. Redevelopment Agency Director Post reported of efforts of the Washington D.C. One Voice Trip, importance of retaining redevelopment dollars, the Parks and Recreation Divisions doing a fantastic job at the community center and there are lots of youth and seniors using the facility daily.

ADVISEMENT OF PUBLIC NOTICES (Three Reports). Planning Director Fitzgerald advised that three public hearings will be held by the Planning Commission on Wednesday, February 23, 2011 at 7:00 p.m. at City Hall in the Council Chambers to consider a tentative parcel map, a tentative tract map and final development plan, and a use permit.

CITY MANAGER / EXECUTIVE DIRECTOR REPORT. No report.

CITY COUNCIL / REDEVELOPMENT AGENCY MEMBER REPORTS.

JOE SOUSA: Spoke of his satisfaction that Council Member Silveira is serving on the MCEDCO board, upcoming Merced County Farm Bureau award dinner in March 2011 in which they are recognizing Sergio de Alba from Miano Elementary School as educator of the year and congratulated Mr. de Alba, Merced Sun-Star article that informed that the Meals on Wheels program is being considered to be cut and urged all to let County representatives know that you do not want to see that program go away and the importance of the program, spoke to Mr. Lloyd Cotta's passing and how the City has lost an icon in the community, and expressed his condolences to the family.

ELIZABETH STONE: Spoke to how she and City Manager Rath attended a meeting in Merced regarding the 10 year plan to end homelessness, looking for future funding sources and permanent housing solutions, thanked Stephen Hammond and Jessie Molina who were integral in getting this plan in Los Banos, and reminded all of the Caidyn Lee Relay for Life cheese enchilada fundraiser on March 14, 2011.

TOM FARIA: Reported on the MCAG Governing Board meeting that he attended for the Mayor in January 2011, homelessness being a problem that needs to be solved, apologized in advance because will be out of town for Cesar Chavez Day and Veterans Day functions, his excitement for the crime stoppers program that is being developed, and commended Mr. de Alba for his recognition. Mayor Pro Tem Faria spoke to fairs being an educational program that drives educational programs and would support a letter of support to the State to fight to keep fairs funds in place.

SCOTT SILVEIRA: Offered his condolences to the Cotta family, spoke of how Mr. Cotta will be missed, and his attendance at a workshop with the Planning Commission.

Mayor Villalta invited Merced County Supervisor O'Banion to come forward and speak in which Supervisor O'Banion spoke of the Meals on Wheels Program which is being discussed in regards to budget, the need to look at other alternatives for funding, his hope that the State will approve a budget on time so that the County can approve theirs on time without having to make adjustments, the State eliminating fair board funding, looking at ideas on how to survive the upcoming years, the need to emphasize how fairs generate revenue not just at the fairs but at the community level, the community center affects the use of the fairgrounds, and spoke to a letter that was sent to the City regarding the Neighborhood Stabilization Program (NSP) III funding.

City Manager Rath spoke to the NSP III funding, reminded all that Los Banos is ground zero for foreclosures, and stated that Congressman Cardoza working to help the City get NSP funding.

MAYOR MICHAEL VILLALTA: Spoke of being serenaded by Ms. Ingram twice now, encouraged the community to attend the upcoming Soroptomists events, the upcoming tomato festival event and encouraged all to get involved, focus on tourism meeting being held on Thursday, February 17, 2011 at 6:30 p.m. at the Vagabond Inn, Cesar Chavez event on March 26, 2011, Mr. Lloyd Cotta having been one of the driving forces

in the little league program, a sad loss and he will be missed, League of California Cities event in which a topic of exploring the cash flow analysis was presented, and requested that we do a cash flow analysis for the Redevelopment Agency to see where we are and where we have been.

City Manager Rath spoke to a mid year budget review that will be done at the March 16 meeting.

CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL, ANTICIPATED LITIGATION, INITIATION OF LITIGATION, PURSUANT TO SUBSECTION (C) OF GOVERNMENT CODE SECTION 54956.9, ONE (1) CASE. Informational item only, no action taken.

CLOSED SESSION – CONFERENCE WITH REAL PROPERTY NEGOTIATORS, PURSUANT TO GOVERNMENT CODE SECTION 54956.8; PROPERTY: DOWNTOWN RAIL CORRIDOR, PORTIONS OF G STREET, BETWEEN 7TH AND 8TH STREETS, LOS BANOS, CALIFORNIA, APNS: 025-114-011, 025-114-012, APPROXIMATELY 2.02 ACRES; NEGOTIATORS: CITY MANAGER, CITY ATTORNEY, REDEVELOPMENT AGENCY DIRECTOR; NEGOTIATING PARTIES: LOS BANOS REDEVELOPMENT AGENCY & MATTHEWS SOUTHWEST; UNDER NEGOTIATION: PURCHASE PRICE AND TERMS OF SALE. Advisement to staff only, no action taken.

ADJOURNMENT. The meeting was adjourned at the hour of 10:30 p.m.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk

7c

CITY OF LOS BANOS
ADJOURNED
JOINT CITY COUNCIL AND
REDEVELOPMENT AGENCY MEETING MINUTES
MARCH 17, 2011

ACTION MINUTES – These minutes are prepared to depict action taken for agenda items presented to the City Council. For greater detail of this meeting refer to the electronic media (CD and/or audio) kept as a permanent record.

CALL TO ORDER: Mayor Jones **Villalta** called the Adjourned City Council / Redevelopment Agency Meeting to order at the hour of 4:33 p.m.

PLEDGE OF ALLEGIANCE. Was recited.

ROLL CALL – MEMBERS OF THE CITY COUNCIL / REDEVELOPMENT AGENCY

PRESENT: Tom Faria, Scott Silveira (arrived at 4:36 p.m.), Joe Sousa, Elizabeth Stone, and Michael Villalta (arrived at 5:45 p.m.); **ABSENT:** None

CONSIDERATION OF APPROVAL OF AGENDA: Motion by Stone, seconded by Sousa to approve the agenda as submitted. The motion carried by the affirmative action of all City Council Members present, Silveira and Villalta absent.

PUBLIC FORUM: MEMBERS OF THE PUBLIC MAY ADDRESS THE COUNCIL ON ANY ITEM OF PUBLIC INTEREST THAT IS WITHIN THE JURISDICTION OF THE CITY; INCLUDES AGENDA AND NON-AGENDA ITEMS. NO ACTION WILL BE TAKEN ON NON-AGENDA ITEMS. SPEAKERS ARE LIMITED TO A FIVE (5) MINUTE PRESENTATION. DETAILED GUIDELINES ARE POSTED ON THE COUNCIL CHAMBER INFORMATIONAL TABLE. No one came forward to speak.

COUNCIL WORKSHOP TO DISCUSS UTILITIES FEES. No action taken, discussion item only.

ADJOURNMENT. The meeting adjourned at the hour of 6:30 p.m.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk

CITY OF LOS BANOS
ADJOURNED
JOINT CITY COUNCIL AND
REDEVELOPMENT AGENCY MEETING MINUTES
MARCH 30, 2011

ACTION MINUTES – These minutes are prepared to depict action taken for agenda items presented to the City Council. For greater detail of this meeting refer to the electronic media (CD and/or audio) kept as a permanent record.

CALL TO ORDER: Mayor Jones Villalta called the Adjourned City Council / Redevelopment Agency Meeting to order at the hour of 4:30 p.m.

PLEDGE OF ALLEGIANCE. Was recited.

ROLL CALL – MEMBERS OF THE CITY COUNCIL / REDEVELOPMENT AGENCY

PRESENT: Tom Faria, Scott Silveira, Joe Sousa, Elizabeth Stone, and Michael Villalta;
ABSENT: None

CONSIDERATION OF APPROVAL OF AGENDA: Motion by Stone, seconded by Sousa to approve the agenda as submitted. The motion carried by the affirmative action of all City Council Members present.

PUBLIC FORUM: MEMBERS OF THE PUBLIC MAY ADDRESS THE COUNCIL ON ANY ITEM OF PUBLIC INTEREST THAT IS WITHIN THE JURISDICTION OF THE CITY; INCLUDES AGENDA AND NON-AGENDA ITEMS. NO ACTION WILL BE TAKEN ON NON-AGENDA ITEMS. SPEAKERS ARE LIMITED TO A FIVE (5) MINUTE PRESENTATION. DETAILED GUIDELINES ARE POSTED ON THE COUNCIL CHAMBER INFORMATIONAL TABLE. No one came forward to speak.

COUNCIL WORKSHOP TO DISCUSS UTILITIES FEES. No action taken, discussion item only.

ADJOURNMENT. The meeting adjourned at the hour of 5:47 p.m.

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk



City of
Los Banos
At the Crossroads of California

TO: Mayor and City Council Members

FROM:  Gary Brizzee, Chief of Police

DATE: April 6, 2011

SUBJECT: Street Closure Request for Chamber of Commerce – Downtown Spring Street
Faire

TYPE OF REPORT: Consent Agenda

Recommendation:

Authorize street closure.

Background:

The Los Banos Chamber of Commerce is requesting the following street closures on Saturday, April 16, 2011, from 5:30 a.m. through 5:30 p.m. They ask permission to close 7th and K Street, 7th and J Street, 5th and K Street, 5th and J Street, and if vendor count warrants it, to additionally close off 7th and I Street, and 5th and I Street. They also request the layout of the vendors be changed from previous years, to allow vendors to be set up in the center of each street, rather than at curbside. Please refer to attached letter presented by Chamber of Commerce Director John Whala.

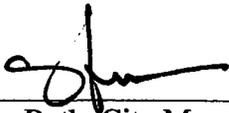
Discussion:

The Downtown Street Faire is an annual event, providing a local event that benefits both citizens and business owners.

Fiscal Impact:

Police overtime costs of approximately \$700 - \$1,000. Additional Public Works staff time will be necessary for set up and removal of needed equipment.

Reviewed By:



Steve Rath, City Manager



LOS BANOS
CHAMBER
of Commerce

1/7/2011

“Working for Business - Believing in Los Banos”

Mayor,
City Council,
Staff,

The following request is for your consideration at the January 19th City Council meeting.

We respectfully request your approval in revamping the layout of our Spring and Fall Street Faires. We are about to distribute the applications, so it is imperative that this is addressed immediately.

The Chamber of Commerce is considering a change in the layout of our 2011 Spring and Fall Street Faires. Our intention, with your approval, is to run a continuous line of booths set up back to back as follows: (see attached map)

Down the middle of 6th St. from K St. to H St.
Down the middle of K St. from 5th St. to 7th St.
Down the middle of J St. from 5th St. to 7th St.
Down the middle of I St. from 5th to 7th (if needed)

For safety reasons, food booths would be on the corners, still maintaining the clearance.

The streets at 7th & K, 7th & J, 5th & K and 5th & J will be blocked off to vehicle traffic.
7th & I & 5th & I will also be closed off if our vendor count warrants it.

All intersections within the enclosed area will remain clear to maintain clearance and to allow easy access for emergency vehicles if necessary.

I had an earlier discussion with Fire Chief, Chet Guintini, concerning how much clearance is required. He said that the requirement on clearance is 20 ft. After careful measurements, I find that there would be approximately 22 ft. on both sides of the booths.

This would also eliminate the blocking of any storefronts and allow for easy access for pedestrian traffic in and out of those same storefronts. However, in order to maintain the 20 ft. clearance, no downtown merchants would be allowed to place items on the street in front of their stores. If they wish to participate in the Street Faire with a booth space, they would have to do so by renting a space in the middle of the street from the Chamber.

Thank you for your immediate consideration in this matter.

Respectfully Yours,

John Whala

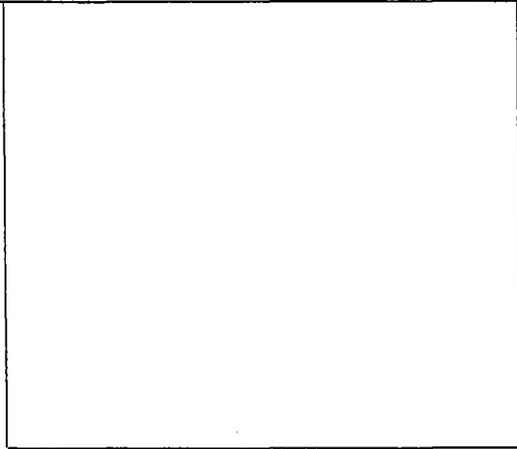
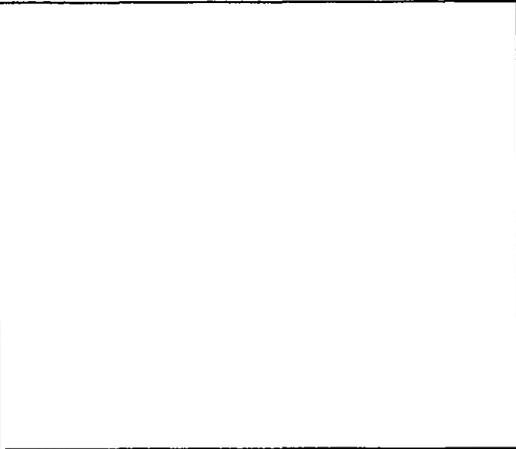
John Whala
Executive Director
Los Banos Chamber of Commerce

503 J Street, Los Banos, CA 93635
(209) 826-2495 Fax: (209) 826-9689 Email: lbcofc@pacbell.net

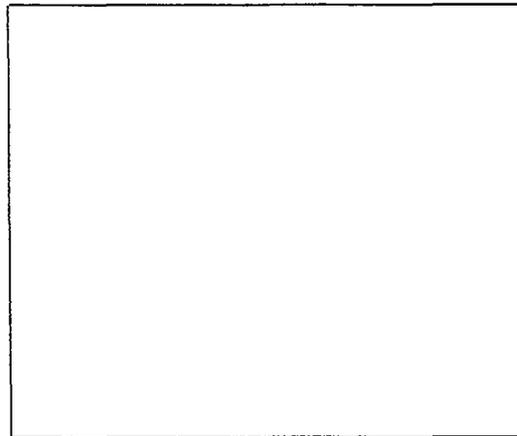
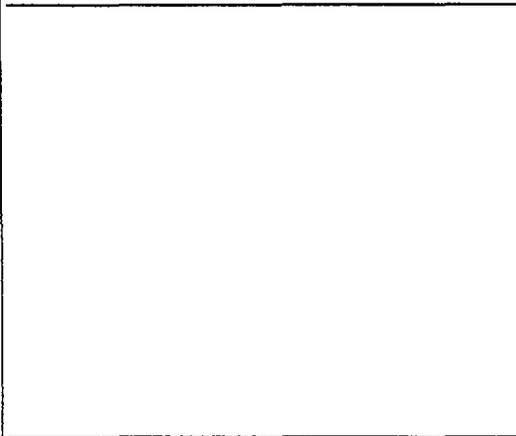
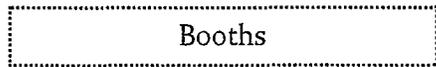
H Street

5th St.

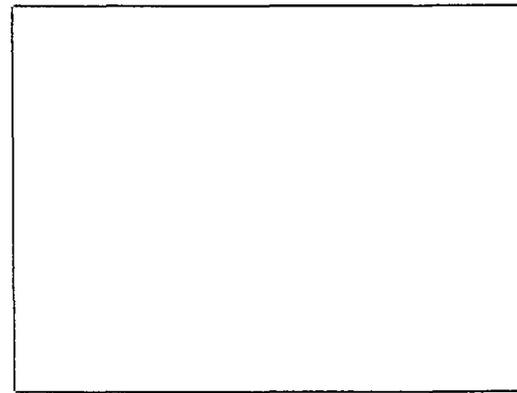
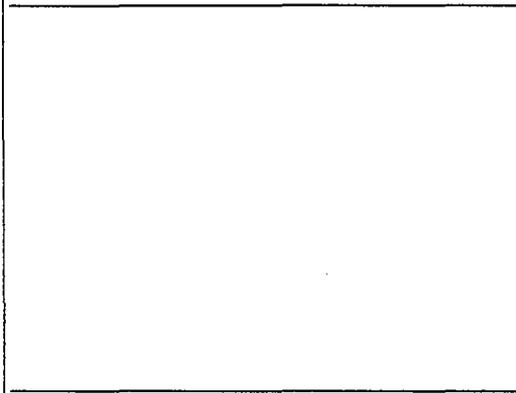
7th St.



I St.



J St.



K St.



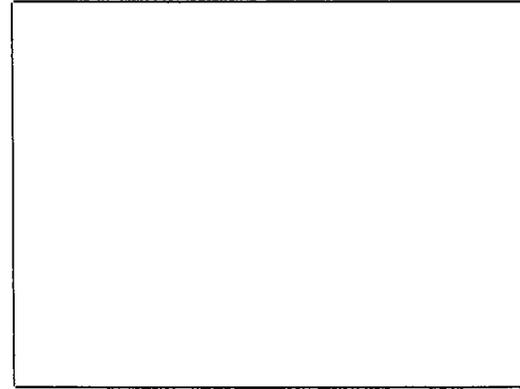
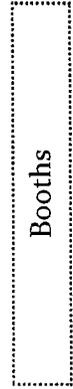
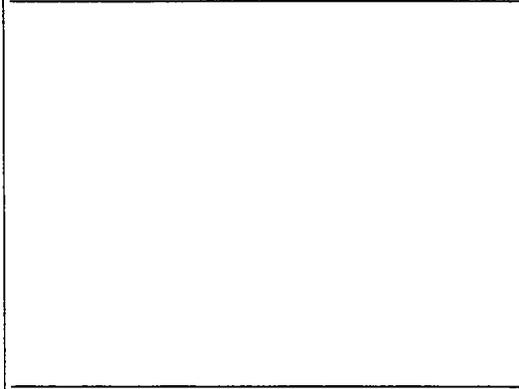
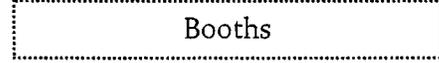
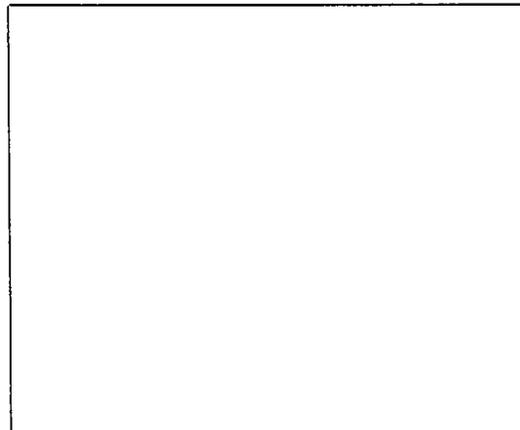
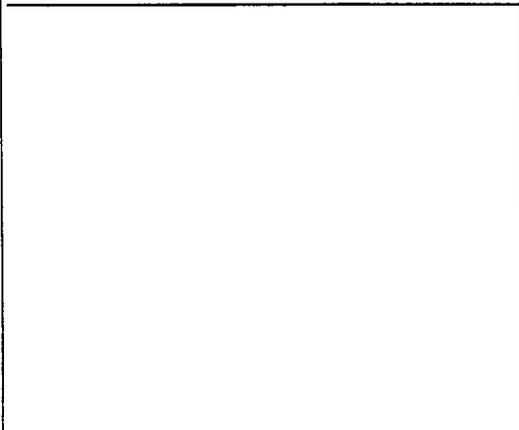
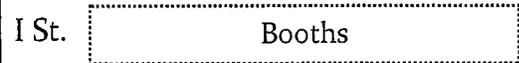
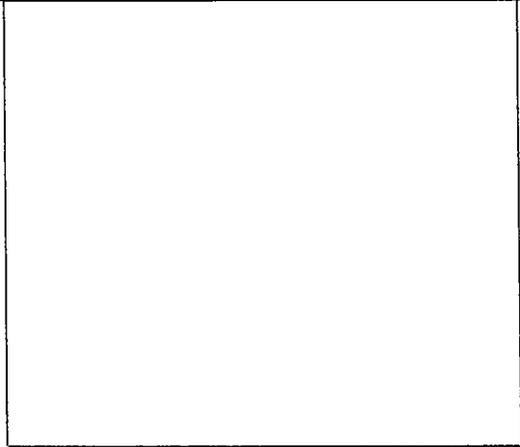
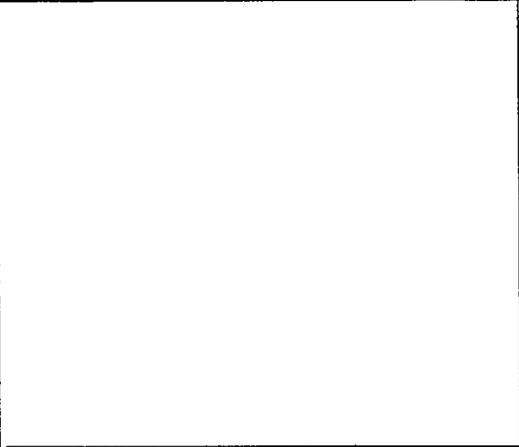
6th St.



H Street

5th St.

7th St.



6th St.



City of
Los Banos
At the Crossroads of California

TO: Mayor and City Council Members

FROM:  Gary Brizzee, Chief of Police

DATE: April 6, 2011

SUBJECT: Street Closure/Parade Request for Merced County Spring Fair

TYPE OF REPORT: Consent Agenda

Recommendation:

Authorize street closure and parade on City streets.

Background:

The Merced County Spring Fair is requesting the following street closures on from April 25, 2011 until midnight, May 1, 2011. They ask permission to close the following streets surrounding the fairgrounds; 3rd Street from E to D Street, D Street from 3rd to North Street, North Street from C to D Street, F Street from 3rd to 5th Street, and 4th Street from G to F Street.

In addition the Merced County Spring Fair would like permission to use City streets on Saturday, April 30, 2011, for the annual May Day parade. The parade route will remain the same as previous years.

Discussion:

The Merced County Spring Fair is an annual event, providing local activities that benefit our citizens and our community.

Fiscal Impact:

Estimated Police overtime staffing costs for Parade: \$5,000 to \$5,500

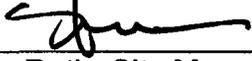
Estimated Police overtime staffing costs for Fair (in addition to Parade): \$7,300 to \$7,800

Estimated Total for Police Overtime Staffing: \$12,300 to \$13,300

Estimated Police equipment costs: \$500 to \$700

Estimated Public Works costs: \$6,500

Reviewed By:

A handwritten signature in black ink, appearing to read 'Steve Rath', written over a horizontal line.

Steve Rath, City Manager



403 "F" STREET ★ LOS BANOS, CA 93635

209-826-5166 ★ FAX 209-826-8737

RECEIVED
CITY OF LOS BANOS

March 3, 2011

Los Banos City Council
Attn: Steve Rath
520 J Street
Los Banos, CA 93635

MAR 04 2011

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*Merced County
Pro Handbe
Thombe
Jen*

Dear Steve,

Merced County Spring Fair would like the City Council to consider the following request at their next Council meeting.

Spring Fair would like to request the following streets to be closed from 8:00 a.m. Monday, April 25 to midnight May 1, 2011.

- 3rd Street, from "E" to "D"
- D Street, from 3rd to North Street
- North Street, from C to D Street
- F Street, from 3rd to 5th Street
- 4th Street, from G to F Street

In addition, we would like permission to use city streets on Saturday, April 30, 2011 for the annual May Day Parade. The parade route will remain the same as last year.

Spring Fair and the May Day Parade are long standing traditions that are well attended by the community. Your assistance in this matter is greatly appreciated. If you should have any questions regarding this request, please do not hesitate to call.

Sincerely,

Ron Brandt
Manager



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Mayor & City Council Members
Chairman and Agency Members

FROM: Elaine Post, RDA Director

DATE: April 6, 2011

SUBJECT: Request to withdraw EDA Business Incubator Application

TYPE OF REPORT: Consent

Recommendation:

Approve the request from staff to withdraw an application to the Federal Economic Development Administration to develop the Innovation Place Network in the Miller and Lux Building.

Background:

The Los Banos City Council and Redevelopment Agency Board approved authorization for the City Manager to sign an EDA Grant application to the Federal Economic Development Administration that would provide \$1.2 million to renovate the Miller and Lux Building for use as a business incubator under the program name the Innovation Place Network.

The Los Banos Redevelopment Agency had worked jointly with Merced College to write the grant which would provide funding for renovation of the local building and create a business incubator environment that would include business counseling and specialized training to entrepreneurs.

Submitted to the Los Angeles EDA office for final input, the RDA received feedback regarding the grant and from that feedback, is requesting permission to withdraw the grant.

The EDA's updated guidelines include:

- A. Additional match funding upwards of \$200,000. Originally the EDA had accepted the proposed in lieu match of the Miller and Lux Building which was estimated at an \$800,000 match.
- B. Additional engineering report and renderings.
- C. Additional environmental verifications.

The Redevelopment Agency does not have funding to meet the additional study or match requirements.

Discussion:

While RDA staff members agree building new businesses "at home" is one of the most successful economic development strategies, additional research has provided alternatives that are less costly and will allow staff to analyze the need for a new entrepreneur facility.

Staff suggests using the Central Valley Business Incubator's on-line resources to provide counseling/business services to local entrepreneurs. This program is free and will allow staff to assess the need to have a new entrepreneurial center in Los Banos.

Fiscal Impact:

None

Reviewed by:



Steve Rath, City Manager

Attachments:

EDA Grant

Section A

A.1 Investment (Project) Region

Identify and describe the region where the project will be located, identify and describe the region that will benefit from the project (if different from or in addition to the region in which the project will be located), and discuss the project's expected economic impact. For purposes of this application, a region is defined as "an economic unit of human, natural, technological, capital or other resources, defined geographically. Geographic areas comprising a region need not be contiguous or defined by political boundaries, but should constitute a cohesive area capable of undertaking self-sustained economic development." (See 13 C.F.R. § 300.3 for the definition of "Region.")

Merced County is located two hours inland from San Francisco in the San Joaquin Valley near the geographic center of California. The region encompasses 1.2 million acres and includes six incorporated cities, vast wetlands and fertile agricultural lands. Two major highways (I-5 in the west and #99 in the east cross Merced County north/south linking the area to Los Angeles and San Francisco/Sacramento while Highway #152 provides direct access to the south Bay area and Central Coast.

The rapidly growing area has a population of 256,495 as of 2010. The largest city is Merced (80,985) followed by Los Banos (36,421), Atwater (27,755), Livingston (14,051), Gustine (5,250), and Dos Palos (5,041). Merced County's rising population is young and culturally diverse with Hispanic (45%), Anglo (35%), and Asian (15%) accounting for major segments. The physical location of the investment is the City of Los Banos.

The economic base of Merced County is driven by agriculture activity valued in excess of \$2.4 billion per year. Three of the world's largest food processing facilities – Foster Farms, Hilmar Cheese and Morning Star Packing and one of the largest vineyards (E & J Gallo) are located in the region. Non-agricultural industries such as Quebecor (printing), AT&T/Cingular Wireless and Label Technology help diversify business and employment in the area. The newest University of California opened in Merced in 2005 hinting of a dynamic new asset as education, research, and innovation are anticipated to play a greater role in the local economy.

The Merced County region continues to suffer extreme economic distress (refer Attachment 2: Economic Problems – Distress Factors). Wages for those fortunate enough to be employed are low, the region has experienced significant business dislocation and closure and the impacts of the closure of Castle Air Force Base linger. The unemployment rate for the area is historically "double digit" and averaged more than sixty percent (60%) higher than the state in the past twenty-four (24) months. **Since January 2010 Merced County unemployment has averaged more than 20%. The Merced region poverty level is fifty percent higher than both the state and national averages.** Per capita income averages only two-thirds of state and national figures. Arvin Sango (65 jobs lost) closed as a result of the NUMMI (Toyota/GM) closure in Fremont; Malibu Boats (200 jobs lost) shifted production to their Tennessee facility; Werner Ladders (210 lost jobs) closed its Merced Plant; County Bank, formerly a financial leader in the Central Valley was closed in 2009 disrupting more than 200 local jobs; Fischer Laboratories in Los Banos moved its plant to Texas (120 jobs lost); LifeTime Doors in Los Banos is in the process of moving its plant to Texas (100 jobs lost). In addition Los Banos has experienced the loss of two car dealerships (40 jobs lost) and with water issues this past year, a loss in agricultural production and employment.

Merced County's population increase was driven by commuters seeking affordable housing relative to the Bay Area and Silicon Valley. Unfortunately residential growth rarely equates to economic development and the subsequent housing crash quickly erased any gains. The stark reality is that Merced County still has proportionately more people traveling longer distances to work at lower paying jobs and fewer people working in the community. Compounding the situation is the permeating adversity induced by the financial and housing crisis.

By 2006, the Merced County region achieved national notoriety for having the least affordable housing market as area incomes could not afford local home ownership. Within two years the region became known for high foreclosure rates, rising unemployment and drastic cuts to local service. Compounding the matter, continued State budget shortfalls further impede local communities' ability to facilitate new wealth generation. State revenues are reduced and local property value erosion results in less revenue to support local programs and services.

Merced County still lags behind State and National indicators for community success. Records show that communities in the Central Valley receive less than two-thirds of per capita federal spending compared nationally. Disproportionate federal spending suggests that Merced County is in fact subsidizing more affluent areas in the state and nation.

Merced region's most viable means to sustain economic development is to foster small business and build on innovation emanating from UC Merced; to encourage entrepreneurial commuters to start a business where they live and work with local companies to provide them a trained workforce. Creating a new culture of business leadership and a skilled workforce includes training, access to planning and counseling opportunities and strong partnerships with the local workforce, community college and university.

A.2 Investment (Project) Description

Provide a detailed description of the complete scope of work for the proposed EDA investment. If you are proposing a construction project, please include specific construction components. Also, for National Technical Assistance, Training and Research and Evaluation Projects, provide a description of the methodology to be used to complete the project.

The project will renovate and equip a building for use as a business incubator. The two-story building is owned by the City of Los Banos.

Improvements and renovation shall result in a central administration and individual business counseling area; conference, training and workshop room for larger groups; common area/business resource center; break/lunch room; washrooms/mechanical area; and eight to ten "flex" office units for lease to small businesses. "Flex" units may be combined to offer large area upon demand. The building may require external improvements (façade, parking, landscaping) in addition to potential compliance requirements (Americans with Disabilities Act; local ordinances such as fire safety, sprinklers, etc.). The project will embrace green initiatives (LEED) and incorporate technological advances whenever possible.

EDA funds will be used exclusively for managing and installing physical improvements and assets (ie. office equipment) necessary to establish the Innovation Place facility in the community. More than 70% of EDA funds are budgeted for construction. The operation and administration of the incubator will be funded by the partners who may access other federal programs to support services and operation while tenancy grows sufficient to fund incubator management.

The sources and uses of EDA funds are described in the pro forma financials (refer attachment). Use of funds may be amended within the limit of the award and re-allocated at the discretion of the grant awardee (City of Los Banos) to maximize and leverage available resources.

The EDA approved Strategy and Operating Plan (refer attached) identified the range of training opportunities, tactics to link small business and entrepreneur services between Merced College and the University of California, Merced. This requested grant will fund establishment of a facility to accommodate said programs.

The Strategy reviewed multiple physical sites in Los Banos.

The proposed one year schedule is estimated to cost \$1,413,315.00

NOTE: While the plan was prepared for both the Cities of Merced and Los Banos, Los Banos only is applying for this grant and will perform as a pilot with the idea Merced at a later date will identify a location and create a second incubator on the east side of Merced County.

A.3 Economic Development Needs

a. Does the region in which the project will be located have a Comprehensive Economic Development Strategy (CEDS)? (Note: Except for strategy grants as described in 13 C.F.R. § 303.7, the region in which Public Works or Economic Adjustment projects will be located must have a CEDS with which the project is consistent.)

Yes

If yes, what is the source? Note: If you are unsure if your region has a CEDS, please contact your local District Organization.

Comprehensive Economic Development Strategy for the Cities and County of Merced. Project also included in the approved Regional Consolidated Certified Economic Development Strategy for the San Joaquin Valley. (See attached letter of approval for San Joaquin Valley CEDS with attached wording pertaining to Innovation Place network).

b. Briefly describe the economic development needs of the region and how the proposed investment addresses the goals and objectives of the CEDS for the region or the alternate strategic planning document as noted above. (See 13 C.F.R. part 303.)

The Innovation Place Network project is a top priority listed in the approved CEDS for the Cities and County of Merced. Small business and entrepreneurial support is also identified in the recently approved consolidated CEDS for the San Joaquin Valley (<http://mcedco.com/Part%203%20from%20Volume%20Two-County%20CEDS-3.pdf>). Small business and entrepreneurial support is also identified in the recently approved consolidated CEDS for the San Joaquin Valley. Small business continues to be cited as the source for most new employment as manufacturing wanes and new large scale investment is deterred from locating in an expensive state such as California. Commercializing innovation and technology, particularly emanating from the newest University of California in Merced is perhaps the region's best opportunity for wealth creation and prosperity.

Merced County is challenged by high unemployment and high poverty, low skills and a poorly educated workforce, high foreclosure rates, scarce healthcare options, and dependency on a volatile economic sector. Nearly one third of the region's workforce commutes from the county, frequently traveling several hours daily. Los Banos has grown from a small town of 10,000 in the 1980's to a community of more than 36,000, with the majority of new residents coming from the South Bay and continuing to work in the communities of Hollister, San Jose, Gilroy, and Mountainview. Encouraging only a small portion of these commuters may result in hundreds of new small business starts and create new employment opportunities close to home. Reduced travel time lessens pollution, encourages family interaction and improved lifestyle and captures more income to support provision of goods and services.

c. Briefly describe the economic conditions of the region described in A.1, as well as the economic adjustment problems or economic dislocations the region has experienced (or is about to experience) and the regional impact of these conditions.

Merced County is an area that continues to experience substantial economic distress:

- Unemployment for Merced County ranges from 20 % to 23.2% and Los Banos is currently at 19%, over twice the state and national averages.
- The County's per capita income is roughly two-thirds the state and national average.
- The poverty level is fifty (50) percent higher than both the state and national averages.
- Education and workforce skills continuously cited as barrier to employment by local businesses.
- College attendance is 50% below the national average.

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- Affordable housing is a luxury in Merced County. Although the average home price in the area has dropped by more than half since 2007 to less than \$200,000, the prices are still beyond the means of local residents and Merced County remains one of the least affordable markets in the nation.
- Recent population influx was fueled by commuters who make retail purchases at their place of work. Subsequently Merced County is experiencing significant sales tax leakages depriving cities and the County with much needed revenue to fund essential public services.
- With high foreclosure rates, special districts created to fund police and fire are being depleted putting a strain on City general funds.
- Volatility of agricultural businesses and the seasonal nature of farming and processing operations contributes to unemployment "spikes".
- Merced County residents are sourcing healthcare services outside of the region, costing the area hundreds of millions of dollars and limiting local services.
- Arvin Sango (auto parts) closed in Merced in 2009 losing 65 jobs.
- Malibu Boats (recreational watercraft) shifted production to Tennessee and cut 200 jobs.
- Werner Ladder closed its Merced plant cutting 200 jobs.
- County Bank cut 200 financial service jobs and local business lost access to capital.
- Fischer Laboratories (metal detectors) in Los Banos closed its doors in 2007 costing the City 120 jobs.
- Life Time Doors closed its doors in December, 2010 cutting 100 jobs in Los Banos.
- Unilever (food processing) closed its Merced facility in 2006 disrupting over 500 employees adversely impacting local suppliers.
- Automate (recreational vehicles) closed its Los Banos facility in 2006.
- Los Banos lost its Chevrolet and Oldsmobile dealerships in 2008.
- Merced County declared "disaster area" following floods in 2006.
- Merced County still bears the impact of the closure of Castle Air Force Base.
- Crime rate 24% higher than the national average in Merced County
- Air quality is among the worst in the nation
- Central Valley Congressman Delegation report identified that the Central Valley receives only two-thirds of nation-wide per capita federal spending.

A.4 Investment (Project) Impact and Fit with EDA Priorities

Discuss how the proposed investment satisfies EDA's Investment Policy Guidelines as set forth in 13 C.F.R. § 301.8, as well as the EDA funding priorities set forth in the applicable Federal Funding Opportunity (FFO) announcement on www.Grants.gov.

The proposal addresses all four EDA funding priorities to:

- 1) support long-term, coordinated and collaborative regional economic development approaches
- 2) support innovation and competitiveness
- 3) encourage entrepreneurship
- 4) link regional economies to global markets

The City of Los Banos, Merced College and the Merced County Economic Development Corporation share 15 years of team-work to advance regional economic development. The team is strengthened by the addition of UC Merced as the regional center for the SBA Small Business Development Centers (SBDC). All parties agreed to continue to work together to develop and implement a regional network of small business services that helps identify and incorporates promising opportunities for long term economic growth.

The communities of Merced County have identified regional priorities and key projects and have committed to working together as part of an ongoing CEDS process and to implement a new regional Enterprise Zone. The team has a track record of positive collaboration and the Innovation Place Network will reflect the next accomplishment. A component of the business plan and operational model includes identifying quantifiable goals and includes a performance analysis

component. The financial projects suggest a sustainable long term operation is readily achievable.

A key aspect of the proposal is building on workforce development to position Merced County as globally competitive for new corporate investment. This will include workforce training as well as commercialization of innovation and technology. Working with area agricultural, commercial, tourism, and industrial businesses, a list of specific work force needs will be addressed by offering training in these fields then providing new employees to prospective employers. Merced County lacks a technically trained workforce. With Innovation Place employers will find a facility that can address these needs with technical training offered through partnerships from Merced

Business startups and entrepreneurs will have an opportunity to go global with Merced College's Center for International Trade Development. It is hoped with this specific training small businesses will build a customer base that will allow them to move from Innovation Place into local business shells and expand their workforce to meet the demand. MCEDCO is currently negotiating with firms that may produce the next generation of computer chip substrates, devise new packaging techniques for food products, establish recycling operations, or other new alternative energy options.

Six businesses currently housed at the Los Banos Business Center – a renovated house in the downtown area – will be the first clients to take advantage of Innovation Place. Small startups they are looking forward to a downtown presence and the opportunity to take advantage of workforce training to assist them in growing their businesses.

MCEDCO and Merced College have embraced the vision espoused by the California Partnership for the San Joaquin Valley to align efforts and activities. The college and EDC representatives played an active role with the Partnership formulating the strategy and are key agents in the planned implementation. Of note, facilities and infrastructure, technology oriented businesses, business incubators and entrepreneurship are formally adopted priorities and issues included within the Partnership collaborative approach. MCEDCO is the identified champion and Work Group manager for the Entrepreneurship component of the Partnership's strategic work plan. These objectives are now included in the Consolidated CEDS for the San Joaquin Valley.

Innovation Place specifically addresses EDA priority three by expanding and enhancing small business counseling and entrepreneurial outreach. Merced College has expanded its entrepreneur programs and offers opportunities to encourage new starts ups and foster a culture of entrepreneurship. Working closely with the City of Los Banos, outreach will be given to prospective entrepreneurs and existing businesses in need of specialized training for workforce growth. Innovation Place will address encouraging a portion of commuters, estimated to account for thirty percent of the local workforce to consider starting a business in their home town. This goal creates home grown employment and income and also reduces traffic volume, air pollution and contributes to a higher standard of living.

The Los Banos Redevelopment Agency, Merced College, and MCEDCO continually strive to raise awareness of a regional approach to market enterprise to compete in global markets. Merced College's Center for International Trade Development, located in Merced, is just one aspect of the College's economic development activities to promote regional links to global markets. This regional program was the first out of fourteen international trade initiatives under ED>NET, the California Community College Economic Development Market. The Los Banos Redevelopment Agency and MCEDCO's business outreach activities also advocate regional marketing to international markets.

A.5 Applicant's Capability

Briefly describe the applicant's capability to administer, implement, and attract private sector investments to the project.

Administration:

The Los Banos Redevelopment Agency has a successful history of managing an approved Redevelopment District within the city limits and has been the sole administrator for the District. The Redevelopment Agency is also the administrator of a micro loan program and today that program is a larger Revolving Loan fund providing small business enterprise with Community Development Block (CDBG) loans up to \$50,000 per applicant or loan with larger loans provided by SBA 504 and 7A providers and the USDA Business and industry 90% guarantee loan program.

Elaine Post, the Redevelopment Director, has completed funding and construction for the following projects:

- A 105 unit low income apartment complex - \$30 million
- An 85 unit low income apartment complex - \$22 million
- Los Banos Community Center - \$12.5 million
- \$2.4 million from the Neighborhood Stabilization Program in which 20 homes were purchased by the RDA and Habitat for Humanity, rehabbed, and loans provided to qualified local buyers purchasing the homes. To date 14 homes have been purchased with five homes committed to Habitat Families. Project Income has allowed the RDA to purchase an additional four homes to date.
- Downtown sidewalk renovation - \$1 million
- Los Banos Child Development Center - \$2.5 million project
- In addition, USDA B&I Loan applications for \$1 million, Industrial Revenue Bonds for \$2 million, SBA Loans ranging from \$300,000 to \$500,000 and several CDBG loans

Implementation:

Implementation of the Redevelopment District has been provided by the City Redevelopment Director. The program implementation for economic development has been shared between the City Manager and Redevelopment Director. Primary implementation of economic development or business retention and attraction has been provided by a contract between the Los Banos Redevelopment Agency and the Economic Development Corporation of Merced County (MCEDCO) for the past 15 years. The city has been successful in attracting new small business enterprises to its Central Business District and Highway 152 Corridor which has accounted for more than 30 new business enterprises during the past five years. Approximately one business per week receives counseling from the RDA, Small Business Development Center or the Economic Development Corporation for an average of 35 to 45 businesses per year. The RDA has assisted in five small business enterprise start-ups and is currently working with four small business enterprises that are expanding and three of the four which have received a Community Development Block Grant (CDBG) revolving loan. The RDA has assisted several businesses locating to Los Banos by providing facilitating between public works, building and planning; assisting with fee deferrals, land selection assistance, and funding assistance. Both the Redevelopment District and the Revolving Loan tend to attract new tenants and hence private sector infrastructure dollars to the Central business District and the Highway 152 Corridor.

Private Sector Investment:

The Alliance Small Business Development Center is a contract service provided through a partnership with the Small Business Administration (SBA), Merced Community College, and provides agricultural technology programs and Import/Export services to area business owners. The University of California, Merced and the Economic Development Corporation of Merced County provide entrepreneurial services to the City of Los Banos and surrounding businesses located within Merced County. The Higher Education Consortium and Merced College have pledged to train work forces on an "as needed" basis for those industries looking to move into the Los Banos area and/or to provide work force training to meet the needs of local businesses already in operation within the City/County boundaries. Together we attract small business enterprise and start-up enterprises who are seeking a location to launch new business ventures,

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predominately in the Agra-Bio, Wind Energy, Solar Energy, Gaming and Internet Industry, as well as more traditional lending, real estate, satellite and other such smaller fields

This partnership is also linked to regional, state and federal partners; including but not limited to the iHub and Solar Institute that refers innovative companies to apply for i6 Challenge funds. The presence of the California Partnership for the Central Valley, Central Valley Business Incubator, and the Merced College and Higher Education Consortium have all been a referral source and source of attracting private sector investment into Los Banos.

A.6 Proposed Time Schedule for Project

The applicant is proposing a twelve month project resulting in one new business incubator. The project start date is planned for summer 2011.

A.7 Civil Rights

a. Does the applicant understand and agree to comply with all applicable civil rights requirements (see 13 C.F.R. § 302.20), including the requirement to provide signed assurances of compliance?

Yes

b. Do identified "Other Parties" as defined in 13 C.F.R. § 302.20 (b) understand and agree to comply with all applicable civil rights requirements, including the requirement to provide signed assurances of compliance?

Not Applicable (no other parties)

A.8 Proposed Budget

See Attached

Innovation Place Network Business Incubator and Training Center

A.9 Non-EDA Funding for the Project

a. Identify the source, nature and amount of all non-EDA funds, including in-kind contributions (non-cash contributions of space, equipment, services or assumptions of debt; see definition of "In-Kind Contributions(s)" in 13 C.F.R. § 300.3). Explain the status of all funding commitments, including the date the funds will be available from each source, and describe any conditions or restrictions on the use of such funds. If in-kind contributions are included, explain the basis on which they are valued.

1. Non-EDA funding will be provided by the Los Banos Redevelopment Agency and future facility tenants. RDA Funds can only be used to construct or purchase equipment and must comply with their tax exempt status.
2. Funds will be available on an as-needed basis. The Redevelopment Agency has up to \$200,000 in tax exempt bond funds that can be used to help with renovation costs of the downtown incubator building as well as purchase office furnishings/equipment for tenant use.

b. Are all non-EDA funds committed to the project, available as needed, and not conditioned or encumbered in any way that would preclude their use consistent with the purpose of the project? (See 13 C.F.R. § 301.5) (If No Explain)

Yes

c. Discuss the actions that need to be taken and the timing required to secure the non-EDA fund.

RDA funds are already in possession of the RDA and can be secured on an as needed basis. Tenant rents will become payable on a month-to-month basis.

d. Does the applicant plan to seek other federal financial assistance as part of or in connection with this project? If so, please describe the source, amount and any terms and conditions of the funding and when the funding will be available for use by the applicant.

The Redevelopment Agency will continue to seek CDBG funds for small business loan assistance for those incubator businesses in need of start-up funding.

e. Is the requested EDA investment assistance available from any other federal economic development program? If Yes, identify the source and provide an explanation of why EDA investment assistance is required.

No

If No, explain your efforts to identify and obtain funding from other sources.

No other identified federal economic development program is available for the specified use of EDA funds included in this application.

A. 10 Lobbying Certifications

See Attached

Innovation Place Network Business Incubator and Training Center

A. 11 Compliance with Executive Order 12372, State Single point of Contact (SPOC)

Innovation Place Network Business Incubator and Training Center

A. 12 Justification for Sole Source Procurement

a. Will you subcontract work to complete part or all of this project?

Yes

b. If Yes, will contracts be awarded by competitive bid?

Yes

A. 13 Assurances

Section B

1. Identify the region upon which applicant is basing the eligibility calculation

The Innovation Place Network will facilitate new wealth generation from small business and entrepreneurs with an emphasis on commercializing and marketing innovative technology from Merced College and UC Merced as well as training a workforce designed specifically for Los Banos Businesses. Merced County has long been overlooked or unable to compete for new private sector investment due to inadequate infrastructure and facilities. Focusing efforts and resources on achievable goals and catering to local residents and existing assets will result in more sustainable business and employment growth. The project is a top priority of the approved CEDS for the cities and county of Merced as well as the new Consolidated CEDS for the San Joaquin Valley.

The California Association for local Economic Development (CALED) commissioned an analysis by Stone Mountain Consultants (refer attached) indication that Innovation Place Network would have a \$92 million economic impact in the communities of Los Banos and Merced over the next decade. Seventy sustained new business starts and 270 new jobs are projected to result from the investment. In looking at this report, it is anticipated Los Banos can generate at least 150 new jobs.

The cities and county of Merced are aggressively pursuing small business and entrepreneurial development (SBE). Small business is projected to continue as a major source of new employment and corporate investment, and will quickly help diversify the local economy, expand the range of goods and services supporting the community, recruit new businesses and create jobs.

Rising costs, external competition and a scarcity of sites for traditional industrial projects necessitates that the region focus efforts in sectors with a higher probability for realizing new investment and employment. A realistic goal is for only half the region's existing businesses (est. 2,600 firms) to each add one new job in the next five years, supplemented by new start ups.

A key target for "Start ups" is the estimates 30,000 commuters who moved to the area in recent years. Encouraging only a small portion (5%) presumably with managerial or entrepreneurial skills to start a business in the Merced region suggests 1,500 "business Start up" prospects. This figure is likely more than doubled when local employees and residents with similar aspirations, and faculty and researchers at UC Merced are included.

The collaborative Merced regional economic development team presents a broad array of small business support services including UC Merced/SBDC; SCORE; Microenterprise Assistance; and SBE technical training and capacity building from Merced College and MCEDCO. The local economic development

professionals in tandem with faculty at Merced College and UC Merced continually advocate small business and entrepreneur activities. The attached documents inventory a broad array of programs and training options offered by Merced College.

The City of Los Banos and a county-wide revolving loan fund provide access to capital to supplement counseling and planning services. Efforts are underway through the California Partnership for the San Joaquin Valley to expand access to capital. Private lenders in the area also support small business development efforts. The range of services and support planned to be offered through Innovation Place reflects the suggestions of the Partnership's work groups to expand professional business support and technical expertise (legal, financial, marketing, venture capital) and develop a network of experts to promote entrepreneurship.

Business incubators are a tremendous asset for fostering Small Business and Entrepreneurs and improve the success rate of small enterprises. The City of Los Banos is the sole city in Merced County with an incubator although the facility's services and amenities would benefit from additional resources. Other entities in Merced County are considering establishing incubators although senior level government support will inevitably be necessary.

Entrepreneurship and small business formation has a higher probability for success if technical training, counseling and collaborative exchange of information and experience is available. Business incubators have a proven track record in raising the success rate of small business operations. This incubator will also work as a job training center providing specialized training for employees not found within the area but required for success by area businesses. Outreach to agricultural, hospitality, and industrial clients will assist in deciding which technical training should be offered to provide a future workforce in Los Banos.

A public/private partnership may be appropriate to examine tactics such as underwriting commercial leases as an incentive to new small business and enable private sector construction of a facility. Communities might consider waiving or deferring fees as an "inducement" to trigger more facilities and services for small business.

Expanding small business support programs is critical to maximize the research and innovation underway and expected from UC Merced. Not to be overlooked, faculty at Merced College may be equally inclined to start a business and the "hands-on" approach associated with the community college will expand the range and type of prospective Small Business and Entrepreneurs. The small business outreach program will help alleviate barriers and extend services to a broader market helping more businesses generate new wealth and employment opportunities.

Innovation Place will provide a regional network for entrepreneurship and offer incubator space to facilitate new start ups. The requested grant will enable the collaborative partners to refurbish and customize existing facilities and establish centers in accordance with the EDA approved business model and operating strategy.

2. Source of data provided for regional eligibility determination: Check the source of data used to determine regional eligibility, and *attach an explanation and a copy of this data* (additional documentation or information applicants must provide may be submitted as electronic attachments using the 'Attachments' form that is part of the application package downloaded from www.Grants.gov). The explanation must: (i) identify the data used (e.g., American Community Survey (ACS)); (ii) if the data used are other than federal data, explain why ACS data were not used; and (iii) if the data used are other than federal data, explain why federal data were not used and identify the source of the non-federal data. ACS data (www.census.gov/acs) should be used whenever possible, but if such data are not available, the order of data preference us as listed below.

- X** **a. The most recent ACS data published by the U.S. Census Bureau.**
- b. The most recent other federal data for the region in which the project is located (e.g., U.S. Census Bureaus of Economic Analysis, Labor Statistics, Indian Affairs, etc.)**
- c. If no federal data are available, the most recent data available through the state government for the region in which the project is located.**
- d. Other data to substantiate regional eligibility based on a "Special Need" as defined in 13 C.F.R. 300.3.**

3. Economic Distress: Check all that apply in establishing regional eligibility

(see 13 C.F.R. 301.3 (a)(1)):

X A. Unemployment rate: The project is located in a region that has an unemployment rate that is, for the most recent 24-month period for which data are available, at least one percentage point above the national unemployment rate.

X B. Per capita income: The project is located in a region that has a per capita income that is, for the most recent period for which data are available, 8- percent or less of the national average per capita income.

X C. Special need: The project is located in a region that has experienced or is about to experience a "Special Need" (as defined in 13 C.F.R. 300.3) arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions, including:

- a. Substantial out-migration or population loss;**
- b. Underemployment; that is, employment of workers at less than full-time or at less skilled tasks than their training or abilities permit;**
- c. Military base closure or realignment, defense contractor reductions-in-force, or U.S. Department of Energy defense-related funding reductions;**
- d. Natural or other major disasters or emergencies;**
- e. Extraordinary depletion of natural resources;**
- f. Closing or restructuring of an industrial firm or loss of other major employer;**
- g. Negative effects of changing trade patterns; or**
- h. Other circumstances set forth in the applicable FFO (please explain below).**

4. Substantial Direct benefit

A project located within an Economic Development District (EDD) that is located in a region that does not meet the economic distress criteria set forth in section B.3 above, is also eligible for EDA investment assistance if EDA determines that the project will be of "substantial direct benefit" to a geographic area within the EDD that meets the distress criteria set forth in question B.3 above by providing significant employment opportunities for unemployed, underemployed, or low-income residents of the distressed geographic area within the EDD. If applicable, identify the EDD in which the proposed project will be located, as well as the geographic area within the EDD that meets the economic distress criteria detailed in section B.3 above, and explain how the proposed project will provide a substantial direct benefit to this geographic area within the EDD. (See 13 C.F.R 30.3 (a)(2).)

No, not applicable. The project is located within a region that meets economic distress criteria in section B.3.

5. Project Beneficiaries: Identify private sector employers that will benefit from the project, and attach letters of commitment electronically (using the 'Attachments' form that is part of the application package downloaded from www.Grants.gov) or in hardcopy, if available. In the last column, select 'Committed' if the company has committed to being a partner in the project or 'Interest Only' if it has merely expressed interest. PLEASE NOTE: Exhibit

A must be completed for EACH beneficiary listed in the chart below. The applicant must send an electronic or hard copy of Exhibit A to each beneficiary. Each beneficiary should then complete Exhibit A and return to the applicant. Once received, the applicant can attach Exhibit A (all copies) electronically using the 'Attachments' form that is part of the application package downloaded from www.Grants.gov or the applicant can submit Exhibit A (all copies) as part of a hard copy application.

X If none, check this box, do not complete this chart, and go to Section C.

ATTACHMENT 2

Economic Problems – Distress Factors

- The region is burdened with historic and sustained unemployment. Despite moderate success, Merced County's unemployment rate consistently ranks at or near the bottom of all fifty-eight (58) counties in the State. In tandem with the high poverty rate (see below) the region is "double burdened".
- Merced County's double digit poverty rate deters potential new investment therefore impeding employment creation, and sustaining its "double burdened" status.
- Despite high poverty and unemployment, the region is one of the fastest growing counties in the state and nation. New families are primarily commuting to employment in other cities. The distorted Jobs/Housing balance adversely impacts transportation, contributes to air pollution, and encourages income leakages depriving residents of many essential goods and services, which impedes the quality of life.
- Commuter driven residential development resulted in higher home prices. Combined with lower income in the region, Merced County communities had been reported as amongst the least affordable in the nation by the Wall Street Journal. Negative media coverage deters new corporate investment and as noted above subsequently impedes the area's ability to provide employment and new income opportunities.
- With the decline in the housing market, Merced County became known as one of the hardest hit with foreclosures. With property taxes in Los Banos declining more than 70% and one out of every six homes lost to foreclosure, media coverage has continued to be negative and a deterrent to corporate investment.
- The Merced County populace is young, poorly educated, with an above average ethnic concentration. The area has accommodated significant numbers of Hmong refugees and reports a Hispanic population well above the State average. Employers report that a large segment of the resulting workforce lacks the requisite "life skills" and therefore are not hired, perpetuating the above issues.
- The region's dependence on agricultural production and processing, historically low paying and seasonal, contributes to income and unemployment issues. The sector is faced with challenges such as the importation of raw material (garlic from China, citrus and tomatoes from Mexico) and increasing capital investment to maintain competitiveness,

which may result in employment dislocation. Some food processors are faced with amended or new State legislation (cease surface application of treated wastewater) that thwarts operations, such as recent closure of Merced's Unilever/Ragu tomato processing facility impacting five hundred (500) jobs.

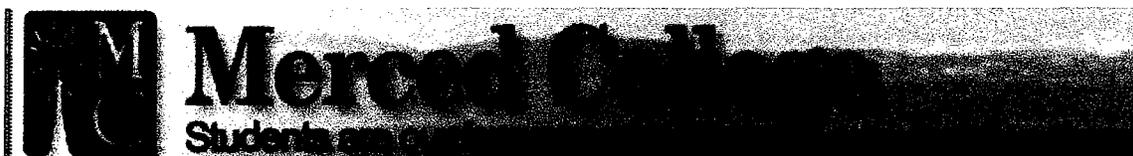
- The Central valley and particularly Merced County does not receive proportionate financial support from the State or Federal governments. A congressional Research Bureau (CBR) report commissioned by the San Joaquin Congressional Delegation reported per capita federal spending in the SJV at less than 2/3 the national rate. A similar per capita rate was noted for State spending in the SJV. The reality of the situation is that remarkably, Merced County, one of the poorest counties in the State is subsidizing more affluent areas.
- Recent studies by the California Partnership for the San Joaquin Valley identified a significant lack of small business and entrepreneur infrastructure and services. Prospective new business start ups therefore face higher hurdles to achieve success and the region is constrained from facilitating diversification.
- The cities and county of Merced are all facing constraints in terms of regional infrastructure, utilities capacity, and technology. Upgrades and improvements, and basic capacity issues cannot be addressed due to lack of available resources and limited senior government level funding. Subsequently, new business cannot be accommodated and is frequently deterred by the high cost of complying with new legislation (noted above).
- Merced County lacks amenities and services to recruit and accommodate new technology and business sectors (life sciences) subsequently eroding the ability to capitalize on new assets (UC Merced) and the meager gains and success that have been achieved.
- The rain and floods of early 2006 severely impacted agriculture, and the rockslide of Yosemite deprived the area of valuable tourism revenue.
- Drought conditions resulted in hundreds of farm workers joining the ranks of the unemployed and eventually, homeless forcing them to move from the area and/or become a part of the state's welfare system.
- Merced County still bears the adverse impact of the closure of Castle Airport. A myriad of issues and barriers beyond the control of local jurisdiction have impeded conversion of this valuable asset and deprived the region of economic opportunities.

	Los Banos	InnPlace Network	total	Assume Avg Wage	Annual Payroll of 150 jobs	Assume Payrol is 55% of Sales
Construction/Rehab	\$ 1,235,596	\$ 2,444,019	\$ 3,679,615			
Engineering	\$ 126,000	\$ 223,900	\$ 349,900			
total	\$ 1,361,596	\$ 2,667,919	\$ 4,029,515			
Annual Operations	\$ 114,904	\$ 230,331	\$ 345,235			
Total Direct	\$ 1,476,500	\$ 2,898,250	\$ 4,374,750			
total direct impact						
			\$ 10,640,659			
Implan Assumptions \$/job				Payroll/ \$1 million	# jobs	Emp \$/Job
Business Support Services						
Per job				\$ 551,409.00	24	\$ 22,975



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**An Economic Impact Analysis Prepared For
Merced Community College**



**Innovation Place Network
Los Banos and Merced**

**This project is supported in part by
The California Association for Local Economic Development**



Prepared by:

Solution Mountain, Inc.
May 2010



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General Project Description

The following economic impact analysis has been prepared on behalf of Merced Community College, located in Merced County, CA. Merced Community College's ambitious Innovation Place Network will establish comprehensive, full service business incubators in the cities of Los Banos and Merced. Business incubation is a support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of specialized resources and services targeted at improving their chance for success.

Definitions and Methods¹

The Project's analysis includes six categories:

1. **Gross Economic Output:** The aggregated market value of goods and services produced by businesses and government enterprises in the economy. It is essentially equal to the revenue collected by businesses (including indirect taxes) within the County or impact area.
2. **Gross County Product:** The total of value added created by the production of goods and services in the economy. It represents the sum of labor compensation, capital type income and indirect business taxes. Gross County Product is best described as new money added to the community as a result of the project.
3. **Total Labor Income:** The compensation to employees and self-employed proprietors including both wages and indirect payments such as retirement benefits, health insurance and other similar fringe benefits.
4. **Total Employment:** The number of jobs generated within the impact area including full-time and part-time positions, salaried workers and sole proprietors.
5. **Capital Income:** The sum of income such as business profits, interest and rental income. Capital Income is best described as non-labor benefits.
6. **Indirect Business Tax:** Taxes and fees not based in the businesses' income. It may represent sales taxes (if any) levied by the state and county and also property taxes levied against businesses as well as federal, state and local fees.

¹ The data sets used in this report are provided by Minnesota IMPLAN Group, Inc (MIG, Inc), the developers of the IMPLAN® economic impact modeling system. IMPLAN® is used to create complete, extremely detailed Social Accounting Matrices and multiplier models of local economies. Implan enables users to make in-depth examinations of state, multi-county, county or sub-county and metropolitan regional economies. Implan is used by more than 1,000 public and private institutions. MIG, Inc. has been developing complex localized databases and serving public and private organizations since 1993.



The Economic Impact Analysis Report (attached below) is based on historical data specific to the Merced County market area. The report represents a broader view than simply the Project's direct expenditures or employment. For example the analysis measures the economic "footprint" of the Project as dollars multiply inside and outside of the market area and account for both direct and indirect impacts.

Industry Sectors

This analysis considers the unique industry sectors associated with this project. The result is a representative analysis that is based on historical data, but the outputs are not unique to this development. The following describes the industry categories that are associated with the Project. The categories are based upon the North American Industry Classification System (NAICS).

CONSTRUCTION	Commercial and Institutional Buildings –	Building Construction/Rehab
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	Architectural and Engineering Svcs	A&E services
OFFICE ADMINISTRATIVE SERVICES		Staff and Admin support of Incubator facilities
BUSINESS SUPPORT SERVICES		General Category for Incubator Tenants



Background and Methodology:

There are many ways to analyze the economic impacts of developing and running a business incubator facility. This analysis seeks to predict future impacts by reviewing historical datasets that are specific to the industry sectors described in this report and the local market area. It seeks to quantify the one-time economic benefits of the construction phase the ongoing economic impacts of the incubator and its annual budget expenditures. The results of this report are not scientific but are historically representative of the economic impacts.

Summary of Economic Impacts –Combined Los Banos and Merced Incubator Projects (see Exhibit A)

The Economic Impact Analysis details the one-time and on-going economic impacts of the Los Banos and Merced projects. In summary, it estimates the construction and business-related activities will produce the following benefits:

- *\$14 million in Gross Economic Output*
- *\$8 million in Gross County Product.*
- *\$6.1 million in Total Labor Income.*
- *218 total jobs (full and part-time).*
- *\$1.5 million in Capital Income.*
- *\$402 thousand in Indirect Business Taxes and Fees.*

Over 10 years the one-time economic benefits (\$5.4 million) when combined with the on-going annual benefits (\$85.9 million) total more than \$91 million.

Innovation Place: Los Banos (see Exhibit B)

Innovation Place: Merced (see Exhibit C)



Economic Impact Analysis Report

Exhibit A - Combined Economic Impacts Los Banos And Merced Incubator Projects Merced County, California

Gross Economic Output			
Gross Economic Output: is the aggregated market value of goods and services produced by firms and government enterprises in the County's economy. It is essentially equal to the revenue collected by businesses (including indirect taxes) within the County.			
	Direct Impact	Indirect and Induced Impact	Total Impact
One-Time Benefit:			
Construction Commercial And Institutional Buildings	\$3,679,615	\$1,285,442	\$4,965,057
Professional, Scientific And Technical Services Architectural And Engineering Services	\$349,900	\$120,540	\$470,440
On Going Benefit:			
Business Support Services	\$6,265,909	\$1,879,643	\$8,145,552
Office Administrative Services	\$345,235	\$103,772	\$449,007
Total:	\$10,640,659	\$3,389,397	\$14,030,056

Gross County Product		
Gross County Product: Is the total value added created by the production of goods and services in the local economy. It is analogous to the concept of Gross Domestic Product at the national level. It represents the sum of labor compensation, capital type income (profits, interests and rents), and indirect business taxes (which are mainly sales taxes, but also include property taxes and government mandated fees).		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction Commercial And Institutional Buildings	\$3,679,615	\$2,738,516
Professional, Scientific And Technical Services Architectural And Engineering Services	\$349,900	\$291,267
On Going Benefit:		
Business Support Services	\$6,265,909	\$4,824,765
Office Administrative Services	\$345,235	\$222,157
Total:	\$10,640,659	\$8,076,706



Total Labor Income		
Labor Income: Is the compensation to employees and self-employed proprietors including both wages and indirect payments such as retirement benefits, health insurance and other similar fringe benefits.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$3,679,615	\$2,286,861
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services	\$349,900	\$241,205
Architectural And Engineering Services		
On Going Benefit:		
Business Support Services	\$6,265,909	\$3,455,080
Office Administrative Services	\$345,235	\$149,663
Total:	\$10,640,659	\$6,132,810

Total Employment		
Employment: Is the number of jobs generated within the County, and includes: * full-time and part-time positions * salary workers *sole proprietors.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$3,679,615	58
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services	\$349,900	5
Architectural And Engineering Services		
On Going Benefit:		
Business Support Services	\$6,265,909	151
Office Administrative Services	\$345,235	4
Total:	\$10,640,659	218



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Capital Income		
Capital Income: is the sum of all property type income (such as business profits, interest income and rental income) generated within the County		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction Commercial And Institutional Buildings	\$3,679,615	\$325,238
Professional, Scientific And Technical Services Architectural And Engineering Services	\$349,900	\$39,154
On Going Benefit:		
Business Support Services	\$6,265,909	\$1,114,600
Office Administrative Services	\$345,235	\$62,689
Total:	\$10,640,659	\$1,541,681

Indirect Business Tax		
Indirect Business Taxes: Are taxes and fees that are not based in the businesses' income. For the most part they represent sales taxes levied by the State and the county, but also include property taxes levied against businesses as well as fees imposed by federal, state and local governments.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction Commercial And Institutional Buildings	\$3,679,615	\$126,416
Professional, Scientific And Technical Services Architectural And Engineering Services	\$349,900	\$10,907
On Going Benefit:		
Business Support Services	\$6,265,909	\$255,085
Office Administrative Services	\$345,235	\$9,805
Total:	\$10,640,659	\$402,214



Exhibit B.- Innovation Place - Los Banos

Gross Economic Output			
Gross Economic Output: is the aggregated market value of goods and services produced by firms and government enterprises in the County's economy. It is essentially equal to the revenue collected by businesses (including indirect taxes) within the County.			
	Direct Impact	Indirect and Induced Impact	Total Impact
One-Time Benefit:			
Construction Commercial And Institutional Buildings	\$1,235,596	\$431,645	\$1,667,241
Professional, Scientific And Technical Services Architectural And Engineering Services	\$126,000	\$43,407	\$169,407
On Going Benefit:			
Office Administrative Services	\$114,904	\$34,538	\$149,442
Business Support Services	\$3,132,955	\$939,822	\$4,072,777
Total:	\$4,609,455	\$1,449,411	\$6,058,867

Gross County Product		
Gross County Product: Is the total value added created by the production of goods and services in the local economy. It is analogous to the concept of Gross Domestic Product at the national level. It represents the sum of labor compensation, capital type income (profits, interests and rents), and indirect business taxes (which are mainly sales taxes, but also include property taxes and government mandated fees).		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction Commercial And Institutional Buildings	\$1,235,596	\$919,580
Professional, Scientific And Technical Services A&E	\$126,000	\$104,886
On Going Benefit:		
Office Administrative Services	\$114,904	\$73,940
Business Support Services	\$3,132,955	\$2,412,383
Total:	\$4,609,455	\$3,510,789



Total Labor Income		
Labor Income: Is the compensation to employees and self-employed proprietors including both wages and indirect payments such as retirement benefits, health insurance and other similar fringe benefits.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$1,235,596	\$767,916
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services A&E	\$126,000	\$86,859
On Going Benefit:		
Office Administrative Services	\$114,904	\$49,812
Business Support Services	\$3,132,955	\$1,727,540
Total:	\$4,609,455	\$2,632,127

Total Employment		
Employment: Is the number of jobs generated within the County, and includes: * full-time and part-time positions * salary workers *sole proprietors.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$1,235,596	20
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services A&E	\$126,000	2
On Going Benefit:		
Office Administrative Services	\$114,904	1
Business Support Services	\$3,132,955	76
Total:	\$4,609,455	98

Capital Income		
Capital Income: is the sum of all property type income (such as business profits, interest income and rental income) generated within the County		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$1,235,596	\$109,213
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services A&E	\$126,000	\$14,100
On Going Benefit:		
Office Administrative Services	\$114,904	\$20,865
Business Support Services	\$3,132,955	\$557,300



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Total:	\$4,609,455	\$701,477
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Indirect Business Tax

Indirect Business Taxes: Are taxes and fees that are not based in the businesses' income. For the most part they represent sales taxes levied by the State and the county, but also include property taxes levied against businesses as well as fees imposed by federal, state and local governments.

	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$1,235,596	\$42,450
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services A&E	\$126,000	\$3,928
On Going Benefit:		
Office Administrative Services	\$114,904	\$3,263
Business Support Services	\$3,132,955	\$127,543
Total:	\$4,609,455	\$177,184

Gross Economic Output Summary

	Jobs	Direct Impact	Total Impact
One-Time Benefit:	21	\$1,361,596	\$1,836,648
On Going 10 Year Benefit:	77	\$3,247,859	\$42,222,193
Total:	98	\$4,609,455	\$44,058,841



Exhibit C - Innovation Place: Merced

Gross Economic Output			
Gross Economic Output: is the aggregated market value of goods and services produced by firms and government enterprises in the County's economy. It is essentially equal to the revenue collected by businesses (including indirect taxes) within the County.			
	Direct Impact	Indirect and Induced Impact	Total Impact
One-Time Benefit:			
Construction	\$2,444,019	\$853,797	\$3,297,816
Commercial And Institutional Buildings			
Professional, Scientific And Technical Services	\$223,900	\$77,133	\$301,033
Architectural And Engineering Services			
On Going Benefit:			
Office Administrative Services	\$230,331	\$69,234	\$299,565
Business Support Services	\$3,132,955	\$939,822	\$4,072,777
Total:	\$6,031,205	\$1,939,986	\$7,971,191

Gross County Product		
Gross County Product: Is the total value added created by the production of goods and services in the local economy. It is analogous to the concept of Gross Domestic Product at the national level. It represents the sum of labor compensation, capital type income (profits, interests and rents), and indirect business taxes (which are mainly sales taxes, but also include property taxes and government mandated fees).		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$2,444,019	\$1,818,936
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services	\$223,900	\$186,381
Architectural And Engineering Services		
On Going Benefit:		
Office Administrative Services	\$230,331	\$148,217
Business Support Services	\$3,132,955	\$2,412,383



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	Total:	\$6,031,205	\$4,565,917
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Total Labor Income		
Labor Income: Is the compensation to employees and self-employed proprietors including both wages and indirect payments such as retirement benefits, health insurance and other similar fringe benefits.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$2,444,019	\$1,518,945
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services	\$223,900	\$154,347
Architectural And Engineering Services		
On Going Benefit:		
Office Administrative Services	\$230,331	\$99,851
Business Support Services	\$3,132,955	\$1,727,540
Total:	\$6,031,205	\$3,500,683

Total Employment		
Employment: Is the number of jobs generated within the County, and includes: * full-time and part-time positions * salary workers *sole proprietors.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$2,444,019	39
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services	\$223,900	3
Architectural And Engineering Services		
On Going Benefit:		
Office Administrative Services	\$230,331	3
Business Support Services	\$3,132,955	76
Total:	\$6,031,205	120

Capital Income		
Capital Income: is the sum of all property type income (such as business profits, interest income and rental income) generated within the County		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$2,444,019	\$216,025
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services	\$223,900	\$25,055
Architectural And Engineering Services		
On Going Benefit:		
Office Administrative Services	\$230,331	\$41,824



Business Support Services	\$3,132,955	\$557,300
Total:	\$6,031,205	\$840,204

Indirect Business Tax		
Indirect Business Taxes: Are taxes and fees that are not based in the businesses' income. For the most part they represent sales taxes levied by the State and the county, but also include property taxes levied against businesses as well as fees imposed by federal, state and local governments.		
	Initial Purchase	Total Impact
One-Time Benefit:		
Construction	\$2,444,019	\$83,966
Commercial And Institutional Buildings		
Professional, Scientific And Technical Services	\$223,900	\$6,980
Architectural And Engineering Services		
On Going Benefit:		
Administrative And Support, Waste Management And Remediation Services	\$230,331	\$6,542
Office Administrative Services		
Administrative And Support, Waste Management And Remediation Services	\$3,132,955	\$127,543
Business Support Services		
Total:	\$6,031,205	\$225,030

Gross Economic Output Summary			
	Jobs	Direct Impact	Total Impact
One-Time Benefit:	42	\$2,667,919	\$3,598,849
On Going 10 Year Benefit:	78	\$3,363,286	\$43,723,418
Total:	120	\$6,031,205	\$47,322,267



**ECONOMIC IMPACT AND URBAN DECAY ANALYSIS
FOR
PROPOSED WALMART EXPANSION PROJECT
IN CITY OF LOS BANOS, CA**

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INTRODUCTION & SUMMARY OF FINDINGS

Background and Study Purpose

The City of Los Banos (the “City”) has received a proposal for an on-site expansion of the existing Walmart at 1575 W Pacheco Boulevard as well as the development of three outlots with additional retail space (in its entirety, the “Proposed Project”). The Walmart expansion portion of this proposal provides sales and support space for groceries such that the store will include the functional equivalent of a full-service supermarket, as well as additional general merchandise space. As part of its evaluation of the Proposed Project, the City has retained Michael Brandman Associates (“MBA”) to complete an Environmental Impact Report (“EIR”).

MBA has retained Bay Area Economics (“BAE”) to undertake a market impact analysis as part of the EIR process for this project, since economic impacts could conceivably lead to urban decay, a potentially significant environmental impact. In this context, urban decay would result only if all of the following occurred: (1) the project results in an economic impact so severe that stores might close as a result; (2) buildings and/or properties, rather than being reused within a reasonable time, would remain vacant; and (3) such vacancies would cause the buildings and/or properties to deteriorate, and lead to the decline of the associated or nearby real estate.

It should be noted that BAE’s analysis uses the most recently available information at the time of analysis (December 2008). This represents a reasonable effort to establish baseline conditions as of the November 2008 issuance date for the NOP per CEQA. BAE recognizes that over the course of the EIR process, conditions may change rapidly, especially in the current economic environment; BAE attempts to take that into consideration, but future economic conditions may vary from those assumed here.

Project Description

The Proposed Project as specified for the analysis here consists of the expansion by 69,300 square feet of an existing stand-alone 109,508-square-foot Walmart; the expanded store will total 178,808 square feet.¹ In addition, the Proposed Project includes the development of three outlots with a total of up to 69,900 square feet of additional retail and restaurant space. One of the outlots (Outlot 2 - 10,000 square feet) is shown as being a restaurant with a drive-thru, while the other two (Outlot 1 and 3 - 59,900 square feet, collectively) are shown as single buildings suitable for single or multiple tenants. The mix of space is outlined in Table 1, with detail provided for the internal layout of the expanded Walmart in Appendix A. The supermarket-equivalent space inside the Walmart is estimated at a gross area of 55,000 square feet, including grocery sales, support, and an allocation of stockroom and ancillary areas.

¹ The current design calls for slightly less additional square footage; the figure here includes a buffer to allow for flexibility in design and construction (see Appendix A for detail).

For the purposes of this analysis it assumed here that the entire project would be open at the beginning of 2012. This is a conservative assumption in that it may overstate the short-term impacts, since the outlots are more likely to develop after the Walmart expansion is completed, providing additional attraction of shoppers to the center.

Table 1: Walmart Expansion Project Square Footage Summary		
Store Component	Square Footage	Estimated Opening Date
Supercenter (Phase 1)	178,808	2012
General Merchandise (incl Outdoor Garden Center)	123,808	
Grocery	55,000 (a)	
Phase 2		
Outlot 1 (Retail)	25,000	2012
Outlot 2 (Restaurant)	10,000	2012
Outlot 3 (Retail)	34,900	2012
Square Footage Total	248,708	
Existing Walmart	(109,508)	
Net New Square Footage	139,200	
All sizes are approximate, as reported on the most current available site plan, with buffer of additional space added to Supercenter for flexibility in planning.		
(a) See Appendix A for an explanation of the allocation of overall Supercenter space by general merchandise and grocery components and detail on internal floor plan.		
Sources: CEI Engineering Associates, Inc.; BAE		

Study Methodology

The study methodology provides a comprehensive assessment of current and future anticipated retail shopping patterns, leading to an assessment of potential impacts on existing retail facilities and their future reuse or vacancy. The methodology follows these steps, with more detailed explanations included as each step is described in each chapter of the report:

1. **Define the Trade Area for the Proposed Project**, based on location of existing and planned competitive supply and anticipated shopping patterns of residents.
2. **Document and Analyze Demographic and Economic Conditions for the Trade Area**, including benchmark comparisons to the State of California.
3. **Document and Analyze Existing Retail Space**, including key competitive supply and existing vacancies.
4. **Document and Evaluate Existing Retail Sales Trends**, in order to understand local

trade area characteristics and variations within the trade area or by store category.

5. **Estimate Existing Sales Trends and Leakage Out of the Trade Area**, specifically for the retail categories potentially impacted by the Proposed Project.
6. **Estimate Impact of Proposed Project on Trade Area Sales**, including when the Proposed Project opens in 2012, and again in 2014 and 2016 as population in the trade area grows.
7. **Estimate the Impacts of the Proposed Project on Existing Stores**, based on any potential decline in sales for existing stores, as well as the effects of future growth and increased demand in the Trade Area.
8. **Assess the Potential for Urban Decay**

It should be noted that the methodology is based on an actual sales approach, using estimated actual retail sales in the Trade Area as the most reliable indicator of potential sales and resulting potential impacts on existing stores, in turn leading to possible urban decay. BAE relies on estimates of actual sales rather than inventories of existing store space (i.e., supply), due to the variability of existing supply information, the variability of individual store owners choosing to operate oversized or undersized stores relative to their profit margins, and other factors affecting supply of space such as sudden vacancies unrelated to dwindling demand for merchandise (e.g., lost their lease, death in the family, over-leveraged other assets resulting in store closure, etc.).

Summary of Findings

Demographic and Economic Trends

The Proposed Project Trade Area, defined as the City of Los Banos and surrounding areas extending out approximately 15 miles from the Proposed Project site, has experienced a relatively rapid growth pattern of residents and households since 2000. Although estimates show continued growth, the recent slowdown in housing construction indicates that growth in the near-term is likely be dampened somewhat. For purposes of providing a conservative analysis regarding retail impacts, this finding led to a revised growth forecast, delaying projected growth for four years.

Existing Real Estate Market Conditions

At the time of BAE's research, there were four full-service supermarkets operating in Los Banos and one each in Gustine and Dos Palos. Based on available data, BAE estimates the overall sales at the existing directly competitive supermarkets at approximately \$60 to \$65 million annually, or approximately \$425 to \$465 per square foot. Site visits and available data indicate that the two chain stores, Food 4 Less and Save Mart, are probably performing at or above this benchmark. The smaller local stores are performing at lower levels, but also may have lower costs (e.g., lease costs and labor costs) and thus could have the ability to survive at reduced sales levels.

There are four major general merchandise stores in the Trade Area, all of them in Los Banos, including the existing Walmart. There are no major Trade Area general merchandise competitors outside Los Banos, but there are drug stores in Los Banos and in Gustine and Dos Palos. These stores are more convenience-oriented and local-serving, and have been competing effectively with the larger stores such as Walmart and Target for many years, and thus are not seen as likely candidates for closure due to the Proposed Project.

The Trade appears to have leakages of sales in most major retail store categories. This is likely related to the lack of certain types of retail outlets in the Trade Area, which is in turn related to the Trade Area's historically lower population not yet at the critical mass of shoppers required to support certain types of retail, including specialty retail. Large home improvement centers (Lowe's, Home Depot) have only recently opened in Los Banos. While the Trade Area may ultimately develop additional retail store types, currently residents must either venture outside the area, or purchase these stores' types of goods in more generalized stores such as Walmart when available.

Los Banos does have a variety of retail outlets, mostly along the length of Pacheco Boulevard as it passes through town, either free-standing or in one of the many shopping centers of various sizes and types. There are also a number of smaller shops in the older downtown area. These businesses are primarily local-serving and generate much less business than the larger outlets along Pacheco Boulevard. Gustine and Dos Palos have very limited retail, mostly in older small downtown areas. The highway-serving retail concentration at Interstate 5 and Santa Nella Boulevard appears to generate substantial sales in the restaurant and service station categories.

Los Banos in the last few years has seen substantial additions to its retail square footage. Recent additions include Stonecreek Plaza, with Lowe's and Target as anchor tenants, the Home Depot, and College Plaza, anchored by Food 4 Less and Big 5 Sporting Goods. These centers are not yet fully built out, and College Plaza shows substantial vacancies in its built spaces. Among the older centers with anchor tenants, Los Banos Pavilion, Canal Farm, and San Luis Plaza show fairly high occupancy. Downtown, however, has numerous vacancies. Brokers interviewed by BAE report poor conditions currently in the retail real estate market, with tenants seeking rent concessions, and they stated that the current economic downturn has adversely affected leasing activity.

In summary, current retail real estate market conditions in Los Banos indicate some level of over-retailing as economic growth has stalled. This may lead to project delays or cancellations, and higher vacancies may persist over the next few years. However, assuming the economy recovers and growth resumes, these vacancies should resume absorption by the time the Proposed Project opens and demand increases. It should also be noted that these are current vacancies not linked to the yet-to-be-built Proposed Project.

Retail Sales Trends and Leakage Analysis

Over the last decade, retail sales have increased strongly in Los Banos. For the most recently reported annual period² sales are estimated at approximately \$351 million, twice the sales in 1997 after adjusting for inflation. This growth is much higher than for the City's population, which grew 58 percent over the same period. Sales (and population) increased in every year of the ten-year period.

Specifically, the leakage analysis conducted for this study examined four categories of stores that are likely to be impacted by the Proposed Project: general merchandise, food, eating and drinking places, and other retail except automotive-related ("non-automotive retail"). Based on a comprehensive analysis of estimated existing sales (including estimates for unincorporated areas), the Trade Area in 2008 is experiencing leakage totaling \$112.1 million annually combined for the major categories under consideration: \$33.9 million for general merchandise stores, \$21.0 million for food stores, and \$58.3 million for other non-automotive retail outlets. Eating and drinking places are nearly in balance with demand). By 2016, because of an anticipated population and household growth, the leakage analysis indicates that leaking sales in the combined categories listed above will increase to \$125.2 million in the absence of the Proposed Project.

Impacts on Sales and Existing Stores

The Trade Area is presently "leaking" substantial sales in the key categories. Since no growth is assumed between 2008 and 2012 (a conservative assumption), leakage will remain at these levels absent any new retail space development until that point.

Assuming stabilized sales levels, BAE estimates that when the Proposed Project opens in 2012, sales will come from the following sources:

- \$30.9 million from capture of sales currently leaking out of the Trade Area
- \$5.1 million from non-residents of the Trade Area (e.g., highway travelers)
- \$14.7 million from sales that would otherwise go to existing outlets

Between 2012 and 2016, estimated population increases would lead to an increase in overall retail demand such that sales in existing outlets would be an estimated nine percent above baseline 2008 levels, even with the Proposed Project in place.

Even if short-term losses led to closure of an existing supermarket, the overall growth in retail demand after 2012 should allow for re-tenanting in a relatively short period of time, either as a supermarket or some other retail use. These good long-term prospects for re-tenanting indicate that property owners would be more likely to maintain their property in a state such that it can be re-tenanted.

While these sales levels do not indicate a net loss of sales over the long term, the Kmart may be performing at levels well below the Walmart and Target; however, Kmart nationally has consistently performed far below Walmart and Target on a per square foot sales basis. Part of the ability to do so and survive may be due to Kmart typically occupying older locations, as they do

² Fourth quarter 2006 through third quarter 2007 was the most current available at time of research.

in Los Banos, with lower occupancy costs than Walmart or Target that allow their stores to operate profitably at a lower level.

In summary, the additional sales impacts resulting from development of the outlots should be absorbed by the market over time as population increases over time, generating additional demand in all retail categories

Cumulative Impacts

The under construction and proposed projects in the Trade Area would result in the addition of approximately 150,000 to 160,000 square feet of additional retail space over and above the Proposed Project. This space will be coming into a market where demand is assumed to have stalled in the last year. Cumulatively in 2012, it is estimated that there would be a nine percent decline in sales in existing outlets. There would be a two percent decline in 2014, and a net increase from baseline levels of five percent in 2016. Thus even if the decline in 2012 led to increased vacancies short-term (and a loss of nine percent on an average basis would not necessarily cause vacancies), within a few years the overall demand would be such that this vacant space should be re-absorbed. The City of Tracy, which underwent a similar evolution from small town to larger city with considerable region-serving retail, provides good examples of older spaces which were successfully re-tenanted as the major chains moved to larger spaces in the last two decades. Other examples of re-tenanting of large spaces can also be found in Atwater, Porterville, Fresno, and other locales in the Central Valley.

Downtown is in many ways a separate market niche from the remainder of the retail market in Los Banos. With a few exceptions, it no longer serves as an everyday shopping destination, but is transitioning to a role as a specialized area offering small local businesses a low-cost location suitable for unique shops, restaurants, and services. While currently seeing high vacancies and some structures in need of rehabilitation, the City is expending considerable effort to improve the area (as evidenced by the Redevelopment Agency's development plans for the former Union Pacific Rail right-of-way and other agency expenditures in the Downtown), and as Los Banos overall grows in the future (and the downtown remains the same size), the level of demand for this kind of space relative to the supply should help in reducing vacancies and improving the retail environment in the area.

Findings Regarding Urban Decay

Urban decay depends on a causal chain as follows:

- The project results in an economic impact so severe that stores might close as a result;
- Buildings and/or properties, rather than being reused within a reasonable time, would remain vacant; and
- Such vacancies would cause the buildings and/or properties to deteriorate, and lead to the decline of the associated or nearby real estate.

The analysis here estimates that even the first link in this chain, store closure, would not necessarily result from the Proposed Project alone or cumulatively, although the cumulative losses reach the point where this could be considered a possibility. Despite the current economic downturn, though, long-term demographic projections indicate that at some point in the next few

years following economic recovery, Los Banos should show renewed growth. The analysis here has conservatively estimated zero growth between 2008 and 2012, allowing ample time for economic recovery. With expected growth subsequent to 2012, Trade Area retail expenditures should increase such that by 2014, even with the Proposed Project in place, existing retailers should see total sales recover to baseline levels and increase marginally; cumulatively, losses would be minimal. By 2016, even under a cumulative scenario, overall retail sales at existing outlets are estimated to recover to slightly above baseline levels. Thus, even under a cumulative scenario, the Proposed Project should not result in an increase in vacancy in the Trade Area, with any resulting vacant buildings or properties re-tenanted within a reasonable time, thus breaking the causal chain leading to deterioration and urban decay. While there are retail nodes within the City that currently have high vacancies, these are existing conditions not causally related to the Proposed Project. In fact, as the Proposed Project assists in keeping shoppers in the City who would otherwise venture elsewhere, it may provide stimulus for these vacant spaces to capture additional leakages and thus reduce the overall vacancy rate from current levels. As a result, no significant urban decay impact in the Trade Area is expected as a result of the Proposed Project either alone or cumulatively. Most shoppers for the Proposed Project will come from the Trade Area, so impacts in other areas beyond will be diffused among many retail outlets such that no retail outlet could be determined to be at risk of long-term closure from the Proposed Project.

Report Organization

This report contains the following sections, providing background information and addressing issues of concern: this Introduction and Summary of Findings; Demographic and Economic Overview; Retail Sales Analysis; Inventory of Existing Retail; and Impacts of Proposed Project on Existing Retail Outlets.

DEMOGRAPHIC AND ECONOMIC OVERVIEW

This section presents background information on current and projected demographic and economic conditions in the City of Los Banos and nearby areas in Merced and Fresno County. Developing an economic and demographic profile of these areas will help in identifying key factors influencing future retail sales in the area, and to assess the potential impacts of the Proposed Project and any other planned retail projects on existing retail outlets and centers. This discussion will consider the data available in light of current economic context, i.e., the unsettled national and world economy and conditions related to the foreclosure crisis and other factors.

Data sources considered include the U.S. Census Bureau, the California Employment Development Department (EDD), the City of Los Banos, City of Gustine, City of Dos Palos, Merced County, MCAG (the Merced County Association of Governments), the California State Department of Finance, and Claritas, a private vendor providing estimates of current and future demographic conditions.

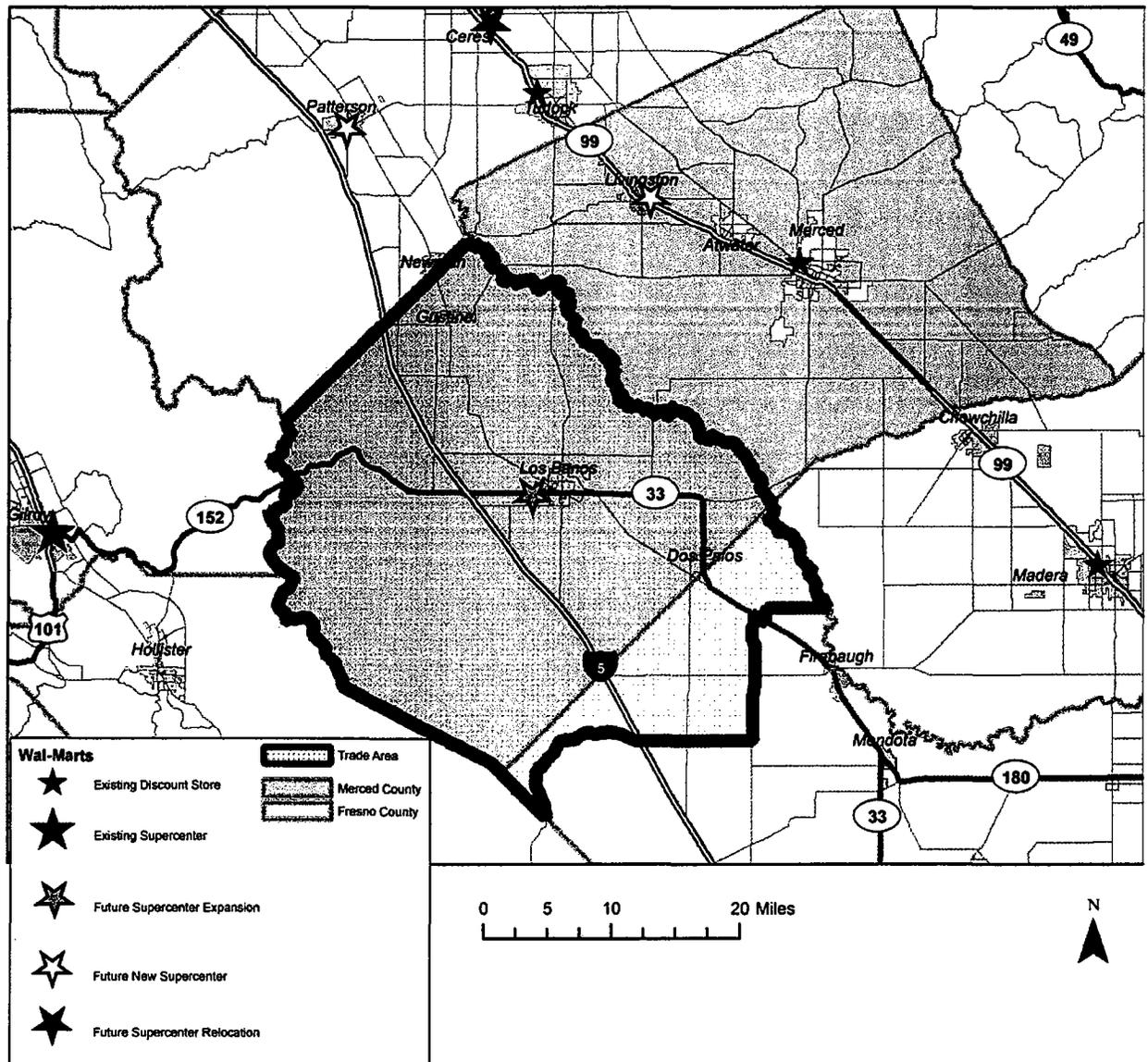
Definition of Trade Area

A trade area is the geographic region that encompasses most of a retail outlet's customers. For the Proposed Project, the Trade Area has been defined as the City of Los Banos and surrounding areas extending out approximately 15 miles from the Proposed Project site. Los Banos itself is relatively isolated from other cities of similar size or larger, and from the major urban nodes in the Bay Area and along the State Route 99 corridor through the Central Valley. The Trade Area includes Merced County west of the San Joaquin River, and a small portion of northwestern Fresno County. The Trade Area is delimited in large part by the location of other existing or planned Walmarts (especially those with groceries), on the assumption that most shoppers would go to the closest Walmart for their shopping. It is assumed that the ancillary retail on the outlots would depend in large part on the attraction of shoppers to the Walmart, and that these stores would have the same Trade Area as the Walmart.

To the west, shoppers across the Pacheco Pass in San Benito and Santa Clara Counties would tend to shop at the existing Supercenter in Gilroy. To the north, a proposal has been submitted for a Walmart with groceries in Patterson, which would capture shoppers from Newman and other parts of western Stanislaus County; even if this store were not built, some of these areas to the north would still be closer to Walmarts in Tracy, Modesto, Ceres, and Turlock. Modesto has a small Walmart with groceries, and Ceres and Tracy have planned Supercenters. To the northeast and east, there are a number of existing and planned Walmarts along the State Route 99 corridor that would serve Merced County residents on the other side of the San Joaquin River. Furthermore, this corridor has several major retail nodes from Modesto to Merced that would tend to attract shoppers looking for a broader range of retail outlets than can be found in Los Banos. To the south and southeast, shoppers would be attracted to multiple Walmarts, both existing and proposed, in Fresno and Madera Counties, and even farther to the south, the Supercenter in Hanford (Kings County).

Figure 1 shows the Trade Area boundaries. This Trade Area has been defined by Census Tracts, which allows a fairly fine-grained delineation using a standard Census geography that best defines the area from which the large majority of the Walmart shoppers would originate (see Table 1 for a list of the Census Tracts making up the Trade Area). The analysis will keep in consideration, that, as with all trade area definitions, some shoppers will originate from outside the designated region, with the potential for impacts beyond the defined Trade Area.

Figure 1: Proposed Project Trade Area



Population Trends

Los Banos and surrounding areas have shown more rapid growth than Merced County overall, which in turn has shown more rapid growth than California statewide. This strong historic growth has likely generated an increase in consumer buying power and has driven increased demand for retail goods. As shown in Table 1, the population in Los Banos increased rapidly between 2000 and 2008, growing at a compound annual average rate of 4.4 percent from 25,869 to 36,646 persons.³ Overall Trade Area growth was somewhat slower over the same period, at an annual rate of 3.2 percent, from 47,776 to 61,560 persons. In contrast, the County and the State have grown at annual rates of 2.4 percent and 1.3 percent, respectively. Los Banos accounted for slightly more than half the Trade Area population; this proportion has risen, and is expected to continue to rise long-term due to the higher rate of growth in the City relative to the Trade Area overall. This increased dominance should reinforce the City's strength as a retail draw relative to the overall Trade Area as the remaining population nodes (e.g., Gustine and Dos Palos) will not reach the critical mass to support region-serving retail, but instead will find this type of shopping in Los Banos, which will be able to increase its offerings as the Trade Area reaches critical mass for additional region-serving retailers.

Claritas projects growth over the next five years at a somewhat slower rate for Los Banos, the Trade Area, and Merced County; based on these projections, the Trade Area would have a population of 68,757 in 2012, the assumed opening year for the Proposed Project. In the last two years, however, the housing market regionally and nationally has been seriously impacted by the mortgage foreclosure crisis. This has led to a slowdown in residential construction, a decline in house values (after a significant run-up in the earlier part of the decade), and high rates of foreclosure, especially in areas where high proportions of buyers used subprime loans to finance their home purchases. Los Banos and the Trade Area have not been immune to these national trends, indicating short-term population growth projections may be overstated or delayed.

³ The analysis uses data provided by Claritas, a private provider of demographic estimates and projections. The State Department of Finance provides a 2008 population estimate of 36,052, of the same order of magnitude as the Claritas estimate. Claritas estimates of 2008 population for Merced County and California are higher than those of Claritas. Estimates derived from the Merced Association of Governments (MCAG) projections from 2004 are in a similar range for the City of Los Banos. These are indicators that the historic estimates provided by Claritas are a reasonable measure, and they furthermore have estimates available for the sub-county unincorporated areas unavailable from the government sources. The reliability of Claritas projections of future growth are considered in light of current economic conditions as discussed in the report.

Area	2000	2008	Average Annual Change 2000-2008	2012	2013	Average Annual Change 2008-13
City of Los Banos	25,869	36,646	4.4%	41,992	43,446	3.5%
Trade Area	47,776	61,560	3.2%	68,757	70,684	2.8%
Merced County	210,554	254,708	2.4%	279,061	285,505	2.3%
California	33,871,648	37,525,630	1.3%	39,657,210	40,208,762	1.4%

Data for 2012 assume a constant rate of change from 2008 through 2013.
(a) Includes Census Tracts 20, 21, 22.01, 22.02, 23.01, 23.02, and 24 in Merced County and Census Tract 84.02 in Fresno County

Sources: 2000 U.S. Census; Claritas 2008; BAE, 2008.

New residential construction in the Trade Area and Merced County, as shown by building permit trends, has fallen off substantially in the last two to three years (see Table 3).⁴ Residential construction activity peaked in 2004 and 2005, with activity slowing almost to a standstill in 2008. For example, a total of 690 residential building permits were issued in Los Banos in 2005; in the first 10 months of 2008, only 45 permits were issued. Since household and population growth is dependent in large part on the availability of new housing, the decline in housing starts makes it less likely that the Trade Area will reach the population levels projected in the short-term for 2012, the estimated year completion of the Walmart expansion component of the Proposed Project.

House values and foreclosure rates are also indicative of a slowdown in the regional economy (although it could be argued that lower house prices might result in freeing up consumer dollars for expenditures on other items). According to Dataquick, a vendor of compiled real estate information, the median home sales price for single-family homes and condos in Los Banos in October 2008 was \$140,000, a decline of over 53 percent from October 2007.⁵ For the same period, the Countywide median fell to \$136,500, a drop of over 45 percent over 12 months. Foreclosure activity in Merced County has nearly tripled year-over-year for the most recent quarter, with 1,639 trustees deeds recorded in the third quarter of 2008 compared to 423 for the

⁴ Building permits are a “leading” indicator of potential household growth, in that actual construction and occupancy lags the issuance of permits; in some cases permitted units may not even be built.

⁵ <http://www.dqnews.com/Charts/Monthly-Charts/CA-City-Charts/ZIPCAR.aspx>. Note that this chart updates every month and October data may be replaced by more recent data. The report title as pulled and archived at the time of this research was “DQNews - California Home Sale Price Medians by County and City: Home Sales Recorded in October 2008.”

same period in 2007.⁶ Los Banos has a substantial number of properties at some point in the foreclosure process, totaling approximately 2,400 homes in the City according to one source.⁷

LOS BANOS										Total	
Building Type	2000	2001	2002	2003	2004	2005	2006	2007	YTD 2008	#	%
Single Family	537	234	349	509	667	690	367	119	45	3,517	96.7%
2 Family	0	0	0	0	0	0	2	0	0	2	0.1%
3 & 4 Family	0	0	0	0	0	0	12	0	0	12	0.3%
5 or More Family	0	0	0	0	0	0	0	0	105	105	2.9%
Total	537	234	349	509	667	690	381	119	150	3,636	100%
GUSTINE										Total	
Building Type	2000	2001	2002	2003	2004	2005	2006	2007	YTD 2008	#	%
Single Family	110	12	48	25	23	1	21	22	2	264	100.0%
2 Family	0	0	0	0	0	0	0	0	0	0	0.0%
3 & 4 Family	0	0	0	0	0	0	0	0	0	0	0.0%
5 or More Family	0	0	0	0	0	0	0	0	0	0	0.0%
Total	110	12	48	25	23	1	21	22	2	264	100%
DOS PALOS										Total	
Building Type	2000	2001	2002	2003	2004	2005	2006	2007	YTD 2008	#	%
Single Family	7	15	96	48	52	6	52	22	NA	298	100.0%
2 Family	0	0	0	0	0	0	0	0	NA	0	0.0%
3 & 4 Family	0	0	0	0	0	0	0	0	NA	0	0.0%
5 or More Family	0	0	0	0	0	0	0	0	NA	0	0.0%
Total	7	15	96	48	52	6	52	22	0	298	100%
TRADE AREA (LOS BANOS, GUSTINE, DOS PALOS)										Total	
Building Type	2000	2001	2002	2003	2004	2005	2006	2007	YTD 2008	#	%
Single Family	654	261	493	582	742	697	440	163	47	4,079	97.2%
2 Family	0	0	0	0	0	0	2	0	0	2	0.0%
3 & 4 Family	0	0	0	0	0	0	12	0	0	12	0.3%
5 or More Family	0	0	0	0	0	0	0	0	105	105	2.5%
Total	654	261	493	582	742	697	454	163	152	4,198	100%
MERCED COUNTY										Total	
Building Type	2000	2001	2002	2003	2004	2005	2006	2007	YTD 2008	#	%
Single Family	1,344	1,090	1,674	2,465	2,544	3,479	2,136	780	120	15,632	94.9%
2 Family	0	2	0	0	6	2	16	14	0	40	0.2%
3 & 4 Family	36	0	79	7	6	16	35	0	0	179	1.1%
5 or More Family	0	0	0	270	42	168	29	0	105	614	3.7%
Total	1,380	1,092	1,753	2,742	2,598	3,665	2,216	794	225	16,465	100%

Year-to-date 2008 includes building permits issued through October, 2008. No 2008 building permit data available for Dos Palos. Total for Trade Area for YTD 2008 includes only Los Banos and Gustine. For the purposes of this table, the Trade consists only of the three incorporated Cities within the Trade Area as defined elsewhere. Data not available for unincorporated subareas of counties.

Source: U.S. Census Bureau, Building Permit Trends, 2008; BAE, 2008.

⁶ "California mortgage default filings drop amid procedural change," October 23, 2008, Dataquick Information Systems, <http://www.dqnews.com/News/California/CA-Foreclosures/RRFor081023.aspx>.

⁷ "Paying to play could be reality: Budget constraints may cause the city to charge PAL group," December 5, 2008, Los Banos Enterprise Via Acquire Media NewsEdge, <http://www.tmcnet.com/usubmit/-paying-play-could-be-reality-budget-constraints-may-/2008/12/05/3836722.htm>

Overall, the local and regional housing market is undergoing a major readjustment with slowing construction, high foreclosures, and declining values. Construction activity has declined precipitously in the last two years, short-term population and household forecasts have yet to take into account the full impact of these factors, and growth may not occur as projected.

Long-term, however, the state and the region will still need to house a growing population; the current economic correction may lower house prices (to a more affordable level, stimulating demand), and while growth may be delayed, at some point new households will again be seeking housing, generating long-term growth. According to the Merced County Association of Governments, the incorporated cities of the Trade Area will reach a population of 84,600 in 2030 due to annual growth averaging 2.6 percent (see Table 4). These projections indicate the potential for a long-term increase in consumer buying power due to an increase in population, despite the current unsettled economy.

<u>Population (a)</u>	<u>2008</u>	<u>2030</u>	<u>Annual % Change 2008-2030</u>
Los Banos	36,646	67,100	2.8%
Trade Area (b)	48,147	84,600	2.6%
Merced County	261,759	417,200	2.1%

(a) To ensure consistency in this table, numbers are derived from MCAG's Regional Transportation Plan, rather than from Claritas. 2008 numbers assume constant rate of growth from 2005 and 2010. 2030 estimate directly from MCAG.
 (b) For the purposes of this table the Trade Area includes only the incorporated cities of Los Banos, Dos Palos, and Gustine. Projections unavailable for unincorporated areas. Since the unincorporated areas may see less growth, the rate here may overstate the rate of growth for the entire Trade Area.

Sources: 2007 Regional Transportation Plan for Merced County, Merced County Association of Governments (MCAG); BAE, 2008.

Because of the uncertainty in the local housing market and the likely slowdown in growth, in its impacts analysis below, BAE has conservatively assumed a delay in population growth in the Trade Area, with the 2012 population assumed at 2008 levels. The population increase assumed to occur by 2013 per Claritas has been pushed out to 2017. Table 5 shows the revised population estimates that are used in the impacts analysis. The following table applies the same assumption regarding a delay in growth to the number of households and to changes in average household size.

Area	2000	2008	Average Annual Change 2000-2008	2012	2017	Average Annual Change 2008-17
City of Los Banos	25,869	36,646	4.4%	36,646	43,446	1.9%
Trade Area	47,776	61,560	3.2%	61,560	70,684	1.5%
Merced County	210,554	254,708	2.4%	254,708	285,505	1.3%
California	33,871,648	37,525,630	1.3%	37,525,630	40,208,762	0.8%

Revised data for 2012 assume no growth from 2008 due to economic downturn. Claritas 2013 projections are shifted to 2017.
(a) See Table 2 for a definition of this area.

Sources: 2000 U.S. Census; Claritas 2008 (all Claritas data after 2008 have been revised); BAE, 2008.

Household Trends

As shown in Table 6 and assuming the same delay in growth as for population, household growth trends mirror population trends. Historic growth rates have been strong in the City and the Trade Area, with the number of households in Los Banos growing from 7,721 in 2000 to 10,579 in 2008. In the Trade Area, the number of households increased from 14,621 to 18,281 over the same period. Future growth will be tempered by the current economic downturn, but by 2017 the number of households in the Trade Area is projected to reach 20,632.

Los Banos, the Trade Area, and Merced County overall show relatively large household sizes in comparison to California overall. For example, in the Trade Area, the average 2008 household size is estimated at 3.34 persons per household; in contrast, the average household size for all of California is 2.91. For all geographies, it is assumed that average household size will increase slightly over the next several years, following recent trends.

Table 6: Revised Household Trends, 2000-2017

Area	2000	2008	Average Annual Change 2000-2008	2012	2017	Average Annual Change 2008-13
City of Los Banos						
Number of Households	7,721	10,579	4.0%	10,579	12,309	1.7%
Household Size	3.33	3.44	0.4%	3.44	3.50	0.2%
Trade Area						
Number of Households	14,621	18,281	2.8%	18,281	20,632	1.4%
Household Size	3.25	3.34	0.3%	3.34	3.40	0.2%
Merced County						
Number of Households	63,815	75,849	2.2%	75,849	84,141	1.2%
Household Size	3.25	3.30	0.2%	3.30	3.33	0.1%
California						
Number of Households	11,502,870	12,588,862	1.1%	12,588,862	13,381,701	0.7%
Household Size	2.87	2.91	0.2%	2.91	2.94	0.1%
Revised data for 2012 assume no growth from 2008 due to economic downturn. Claritas 2013 projections are shifted to 2017.						
(a) See Table 2 for a definition of this area.						
Sources: 2000 U.S. Census; Claritas 2008 (all Claritas data after 2008 have been revised); BAE, 2008.						

Resident Income

Household and personal income and the resulting consumer buying power are key indicators of the potential for additional retail development. As shown in Table 7, Los Banos has an estimated median annual household income similar to that of the State (\$57,133 compared to \$59,163 for California). The Trade Area as a whole, however, has a somewhat lower median annual household income of only \$48,642, and Merced County as a whole is even lower at \$42,988.

Table 7: Income, 2008

Area	Median Household Income	Per Capita Income
City of Los Banos	\$57,133	\$19,743
Trade Area (a)	\$48,642	\$18,361
Merced County	\$42,988	\$16,794
California	\$59,163	\$27,345
(a) See Table 2 for a definition of this area.		
Sources: Claritas, 2008; BAE, 2008.		

The median household income levels in the county, though, depend in part on more workers per household even as the households likely also have more non-workers (i.e., children), as evidenced by per capita annual income levels that are well below statewide levels. Even though the median annual household income level in Los Banos is nearly equivalent to California's, the City's per capita annual income is only 72 percent of the State's. For the Trade Area, median annual household income is at 82 percent of state levels, but per capita annual income is two-thirds of state levels.

These income data indicate that the Trade Area is likely to have lower per capita retail spending levels than statewide, a factor that must be considered below in the retail sales and leakage analysis.

Household Tenure

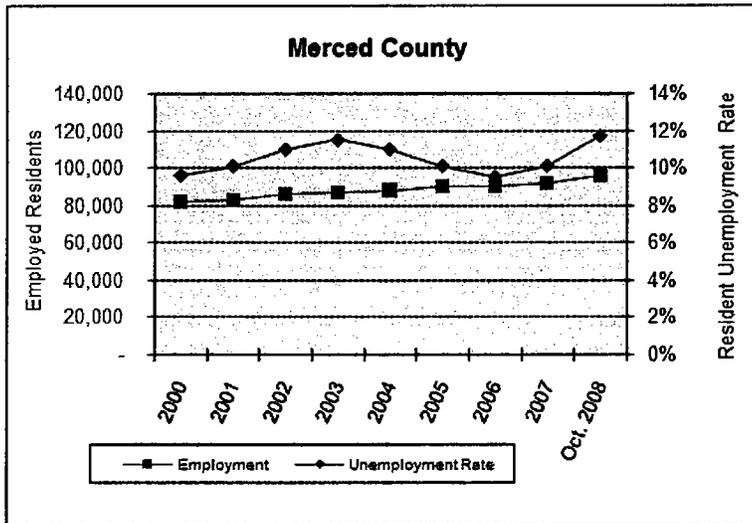
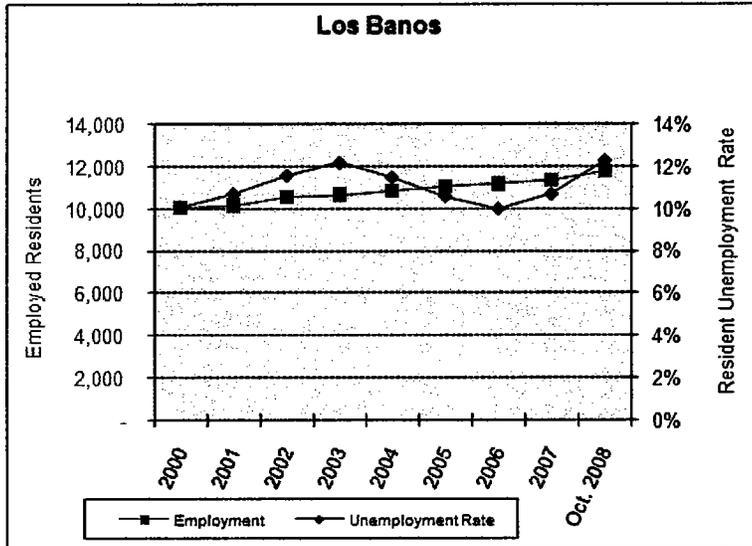
Los Banos and the Trade Area have relatively high rates of home ownership, as shown in Table 8. In both areas, home owners make up over 65 percent of all households in contrast to 60 percent or less for Merced County and California overall. Generally home owners are more affluent than renters, and correspondingly spend more at retail outlets, and correspondingly spend more at retail outlets, especially for durable goods such as furniture and appliances, as well as for building materials for home improvement projects.

	<u>2008</u>
City of Los Banos	
Owner Households	69.8%
Renter Households	30.2%
Trade Area	
Owner Households	65.0%
Renter Households	35.0%
Merced County	
Owner Households	60.0%
Renter Households	40.0%
California	
Owner Households	57.6%
Renter Households	42.4%
(a) See Table 2 for a definition of this area.	
Sources: Claritas 2008; BAE, 2008.	

Labor Force Trends

Another indicator of relative economic strength in an area is the size of the labor force and the rate of unemployment. As shown in Figure 2, Los Banos and Merced County are characterized by relatively high unemployment levels, with both geographies tending to have unemployment rates above 10 percent. In October 2008, unemployment rates in Los Banos and Merced County had climbed to 12.3 percent and 11.7 percent, respectively, higher than the annual average rate at any time since at least 2000, and probably an indicator of the economic downturn. However, even though unemployment rates have remained high, the number of employed residents in both Los Banos and Merced County has continued to increase, albeit not as quickly as population. As a result, the employment data present a mixed picture with respect to potential impacts on retail demand; high unemployment would be associated with less retail demand, but a growth in the employed labor force would indicate the potential for increased disposable income and consumer expenditures.

Figure 2: Employed Residents and Unemployment Rate



Data presented are for residents of the area by place of residence, not workers by place of work. For detailed data, see Appendix B.

Sources: California Employment Development Department; BAE, 2008.

Commuter Flows

Workers coming into a market area represent an additional source of demand for retail purchases; residents commuting out of a market area represent a potential loss of retail demand as those workers make some of their purchases near their place of work rather than near their residence.

The Trade Area is not a major employment center, and more residents commute out of the Trade Area than non-residents commute in to jobs in the Trade Area. As of 2000 (based on Census commuter data), there were over 16,000 working residents, but somewhat less than 12,000 persons working in the Trade Area (see Table 9). Slightly more than half of the Trade Area's employed residents worked within the Trade Area, comprising nearly three-fourths of those employed in the Trade Area. While several years old, the Census data indicate that Los Banos has a surplus of workers relative to jobs. More recent data from the Census Local Employment Dynamics program, while not directly comparable since it has different source data (excluding self-employed persons included in the decennial Census data, for instance) shows that this trend has continued, with approximately 15,500 employed residents in 2006, but slightly fewer than 9,400 jobs.⁸ In fact, Los Banos acts as a "bedroom suburb" for families with workers commuting to major employment centers in Merced, Stanislaus, and even Santa Clara Counties. This outflow of workers indicates that on a net basis, workers in-commuting into the area do not constitute a net increase in demand; in fact, area residents who work elsewhere likely spend some of their disposable income near their places of employment.

Table 9: Commuter Flows, 2000		
<u>Trade Area Residents by Place of Work</u>		
Place of Work	Number	Percent
Trade Area	8,400	51.8%
Elsewhere in Merced County	1,745	10.8%
Elsewhere in Fresno County	634	3.9%
Santa Clara County	3,042	18.7%
Stanislaus County	1,028	6.3%
Elsewhere in California	1,307	8.1%
Outside of California	75	0.5%
GRAND TOTAL	16,231	100.0%
Residents Commuting out of Area	7,831	48.2%
<u>Trade Area Workers by Place of Residence</u>		
Place of Residence	Number	Percent
Trade Area	8,400	72.6%
Elsewhere in Merced County	1,410	12.2%
Elsewhere in Fresno County	565	4.9%
Stanislaus County	798	6.9%
Elsewhere in California	363	3.1%
Outside of California	28	0.2%
GRAND TOTAL	11,564	100.0%
Workers Commuting into Area	3,164	27.4%
Source: Census Transportation Planning Package, 2000; BAE, 2008.		

⁸ Census Local Employment Dynamics. Because of the different basis for this data source, it should not be compared directly to Census 2000 data, for example to assume a decline in the total number of employed residents or jobs in the Trade Area. The newer data excludes certain workers (e.g. self-employed) and relies on statistical adjustments that may affect the accuracy of the data to preserve confidentiality.

RETAIL SALES ANALYSIS

This section examines retail trends in Los Banos and the Trade Area. For comparative purposes, data from the City of Merced, Merced County, and California are also presented. The analysis presents an overview of retail sales in the Trade Area, and then focuses on the key categories of food stores and general merchandise stores that represent the primary competition with the potential store expansion. A discussion of sales in other key retail store categories is also presented. A leakage analysis for the Trade Area is undertaken to identify the relative strength of major retail sectors, in comparison to each other and to the state overall. Major individual competitors in the Trade Areas are identified in the key categories of supermarkets and general merchandise stores.

The primary source of general retail expenditures in California is the taxable retail sales data published by the State Board of Equalization (SBOE). SBOE publishes *Taxable Sales in California*, a quarterly and annual publication that reports taxable sales by major store categories by city and county. These sales data are the aggregated tabulations of actual reports provided by each store owner to SBOE associated with their retail sales permit, and as such, are considered more reliable than estimates based on national averages or other benchmarks. With adjustments made to take into account nontaxable sales such as food and prescriptions, this source usually offers the best baseline data for jurisdictions for which it is available. The most recent data available at the time of this analysis were from the third quarter of 2007; this lag must be taken into consideration, especially in light of the currently unsettled economic climate. Because of the limitations with SBOE data, BAE has also utilized estimates based on Zip Code and County Business Patterns employment data benchmarked to adjusted data on sale per employee from the 2002 Census of Retail Trade.

Following a discussion of national retail trends, this section presents retail sales data from Los Banos, the largest incorporated place (of three) within the Trade Area, and the location of the majority of retail facilities within the Trade Area, accounting for a large proportion of the Trade Area retail sales. For comparative purposes, sales data from the City of Merced, Merced County, and the State of California are also presented.

It should be noted that all data are presented in constant 2007 dollars.⁹ Trend data are provided, based on reported taxable retail sales as compiled by the SBOE, which publishes quarterly data by major retail store category for most jurisdictions in California. Where possible, the taxable sales as reported by SBOE have been adjusted for the general merchandise and food store categories to account for non-taxable additional sales at these types of stores, based on a factor of taxable to total sales derived from comparing SBOE (taxable) to total sales (including non-taxable) as reported by the Census of Retail Trade. Further, it should be noted that the Trade Area includes unincorporated areas that may also generate retail sales at stores located in these

⁹ This analysis uses the Taxable Sales Deflators published by SBOE as the basis for its adjustment. 2007 is the last year for which adjustments are available.

areas; thus an estimate of sales in unincorporated parts of the Trade Area has been provided, with detailed methodology explained in that section.

National Economic Trends and Impacts on Retail Sales

The national economy has slipped into a recession, with some of the most unsettled conditions since World War II; as part of this trend, overall retail sales nationally have slowed, going into decline in the last few months. As shown in Appendix F, since 2000, estimated monthly national retail sales have almost always increased when compared to the same month in the previous year, but this trend ended after July 2008. Declines in October and November are the steepest seen since 2000. For November 2008, advance estimates indicated a decline of nine percent in retail sales from November 2007. The UCLA Anderson Forecast from December 2008

predicts that the current recession inflicting the national economy will feature four quarters of negative growth (followed by very tepid growth rates) and rising unemployment rates that last through 2010. The California forecast will share the national recession, with negative growth through the middle of next year and high unemployment until 2010 as well.

Thus the short-term trends indicate a declining economy, with limited recovery beginning in late 2009 or early 2010. This recovery is projected to be underway well before the assumed opening date of the Proposed Project.

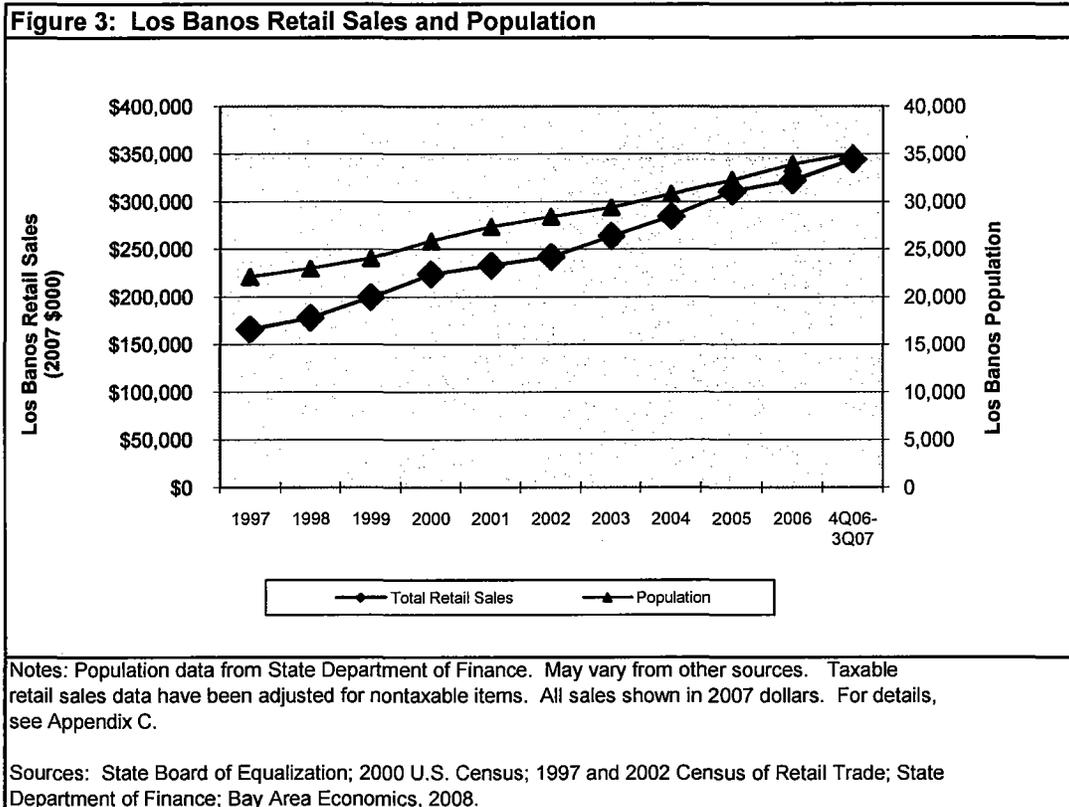
Overall Retail Sales in Los Banos and the Trade Area

Over the last decade, retail sales have increased strongly in Los Banos (see Figure 3). For the most recently reported annual period¹¹ sales are estimated at approximately \$351 million, twice the sales in 1997.¹² This growth is much higher than for the City's population, which grew 58 percent over the same period. Sales (and population) increased in every year of the ten-year period.

¹⁰ " 'Nasty Recession' For U.S. To Include Four Quarters of Declining GDP," UCLA Anderson Forecast, December 11, 2008, http://uclaforecast.com/contents/archive/2008/media_121108_1.asp

¹¹ Fourth quarter 2006 through third quarter 2007 was the most current available at time of research.

¹² All sales are presented in constant 2007 dollars unless otherwise noted. Estimated total sales are derived from taxable sales as noted in Appendix C.



Sales trend data for the overall Trade Area cannot be derived from the available taxable sales data, since those data are not published separately for sales in the unincorporated areas outside Los Banos, Gustine, and Dos Palos.¹³ Because it is the largest population concentration within the Trade Area, Los Banos likely accounts for most of the sales, but in order to compare actual expenditures for all Trade Area residents with potential expenditures, an estimate of sales for the overall Trade Area is necessary. To accomplish this, and in order to assess the impact of the Proposed Project on this Trade Area equation, an estimate of existing sales for the overall Trade Area is necessary.

Using the most recent available data from the Census of Retail Trade and Zip Code Business Patterns,¹⁴ BAE has developed point-in-time estimates of overall sales for the Trade Area, applying statewide-sales-per-store-employee data by NAICS from the 2002 Census of Retail Trade to generate estimates of overall retail sales for the unincorporated areas. This is possible because the employment class size (i.e., noting the number of establishments categorized by

¹³ Furthermore, detailed sales by store type are not available for the Gustine or Dos Palos to allow for detailed analysis.

¹⁴ The most recent data available at the time of analysis were from 2006 for Zip Code Business Patterns and 2002 for the Census of Retail Trade The Zip Codes used here do not correspond exactly to the defined Trade Area, but the areas of discrepancy are largely rural, and have very few retail outlets.

number of employees by range of employment size) is available from the Zip Code Business Patterns for geographies (i.e., Zip Codes) which are inclusive of these unincorporated areas. It should be noted that these estimates should be considered as approximate, since the exact employment numbers for each store are not available; instead, the published data groups stores into an employment class size.¹⁵ However, the figures should reasonably estimate the order of magnitude of overall retail sales.¹⁶ Further, it should be noted that these small unincorporated places do not have any major grocery stores or general merchandise retailers, unless otherwise noted.

For the purposes of the analysis here, the estimated retail sales have been grouped into three categories: general merchandise stores, food stores, and all other retail. The first two categories cover the anchor Walmart store, while eating/drinking and other non-automotive retail cover potential uses for the outlots in the Proposed Project. Automotive and gas stations represent categories of uses deemed not likely to be developed in the Proposed Project, based on the project description and site plan.

As shown in Table 10, retail sales for the Trade Area are estimated at approximately \$539 million in 2006, with slightly less than three-fourths of this generated in the Los Banos Zip Code. This confirms that Los Banos serves as the retail focus within the Trade Area. Gustine shows surprisingly high sales relative to its population, but analysis of the detailed Zip Code data indicates that this is due to extremely strong sales for restaurants and service stations; this may be due to the cluster of restaurants and service stations at the Santa Nella Road exit from Interstate 5 (which is in this Zip Code).

¹⁵ For example, one store size category in the Zip Code Business Patterns ranges from 25 to 49 employees; estimates are based on a central point in this range, since the exact number of employees is unknown.

¹⁶ This can be shown by a comparison of these estimates with those generated from the SBOE data as shown in Appendix C. While the total retail sales estimates shown in Table 10 are somewhat higher than those in Appendix C, this is likely due in large part to the fact that there has been no adjustment made to the SBOE data for non-taxable repair services (i.e., labor charges) that occur at auto dealers and service stations. Because this urban decay analysis excludes auto-related retail, this adjustment was unnecessary and thus not undertaken. Other variation may occur due to differences in how specific businesses are classified (e.g., whether a small store with gas pumps is lumped with service stations or convenience stores).

Table 10: Estimated 2006 Retail Sales for Trade Area

Sales in 2007 \$000 (a)					
By Zip Code					
	Los Banos	Dos Palos/ S. Dos Palos	Gustine	Trade Area	California
General Merchandise Stores	\$70,637	\$2,998	\$2,998	\$76,632	\$77,332,587
Food Stores	\$58,487	\$8,977	\$2,767	\$70,231	\$71,240,275
All Other Retail	\$255,316	\$25,553	\$112,483	\$393,353	\$320,374,069
Retail Stores Total	\$384,440	\$37,528	\$118,248	\$540,216	\$468,946,931

Sales per Capita in 2007 \$					
By Zip Code					
	Los Banos	Dos Palos/ S. Dos Palos	Gustine	Trade Area	California
General Merchandise Stores	\$1,880	\$293	\$344	\$1,355	\$2,087
Food Stores	\$1,556	\$876	\$317	\$1,242	\$1,923
All Other Retail	\$6,794	\$2,494	\$12,895	\$6,956	\$8,648
Retail Stores Total (b)	\$10,230	\$3,663	\$13,556	\$9,553	\$12,658

2006 Population (b)	37,581	10,244	8,723	56,549	37,048,151
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Notes:

Sales have been estimated using Zip Code and County Business Patterns employment data and per-employee sales data by detailed NAICS code from the 2002 Economic Census. These estimates may vary from other sources, and should be considered to be approximate. Data by category is only presented for the key categories of general merchandise and food stores, and numbers may not be directly comparable to SBOE numbers presented elsewhere. For instance, it appears that a major store classified as general merchandise by SBOE is classified as an apparel store in the Business Patterns data. 2006 represents most recent data available at time of analysis. In some of these areas, population growth has been substantial over the last few years, and many new retail outlets have opened. For this table, Trade Area locales have been defined by Zip Code due to data availability. Zip codes are as follows:

Los Banos	93635
Dos Palos	93620
South Dos Palos	93665 (this is a P.O. Box Zip Code, but has reporting businesses)
Gustine	95322

These Zip Codes represent the best fit to the Trade Area Census Tracts, but boundaries vary somewhat from the Trade Area as defined elsewhere.

(a) Retail sales have been adjusted to 2007 dollars based on the Taxable Sales Deflators calculated by the State Board of Equalization (SBOE).

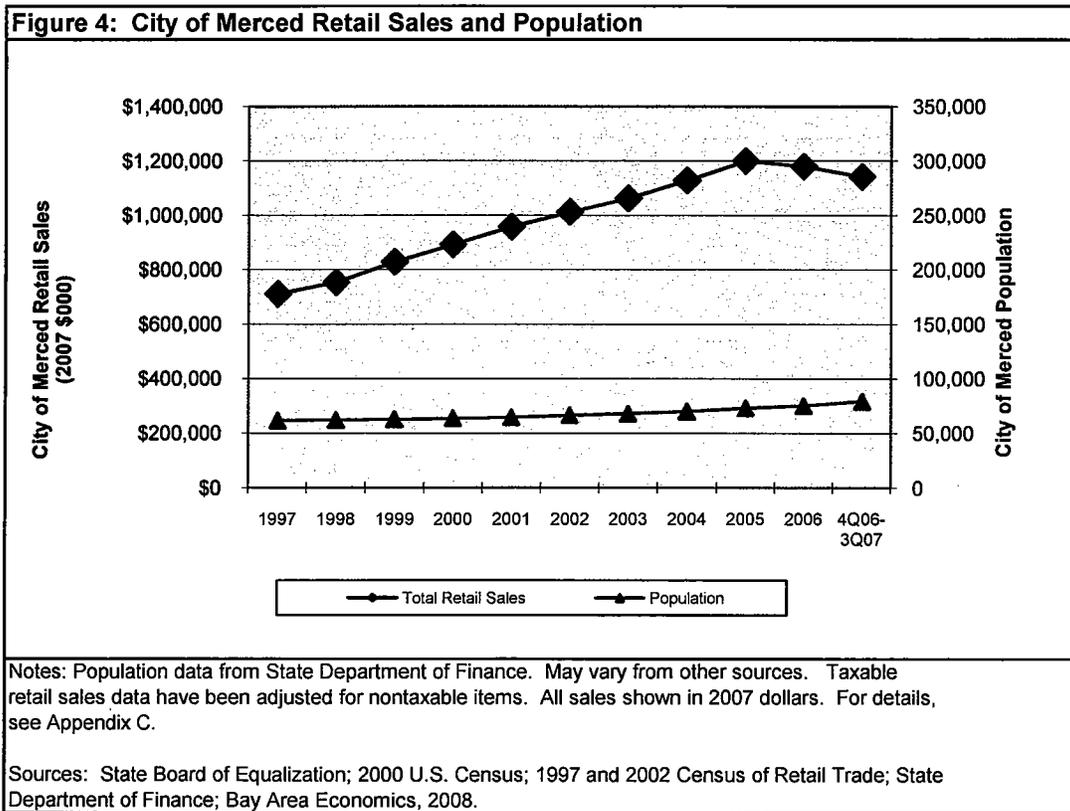
(b) Population estimate derived based on Claritas 2000 and 2008 estimates, assuming a constant rate of growth over the period to obtain the 2006 estimate. May vary from other tables due to use of Zip Codes rather than Census Tracts to define the Trade Area.

Sources: Claritas; 2000 U.S. Census; State Department of Finance; U.S. Census of Retail Trade, 2002; Zip Code and County Business Patterns; Bay Area Economics, 2008.

Comparative Retail Sales Data

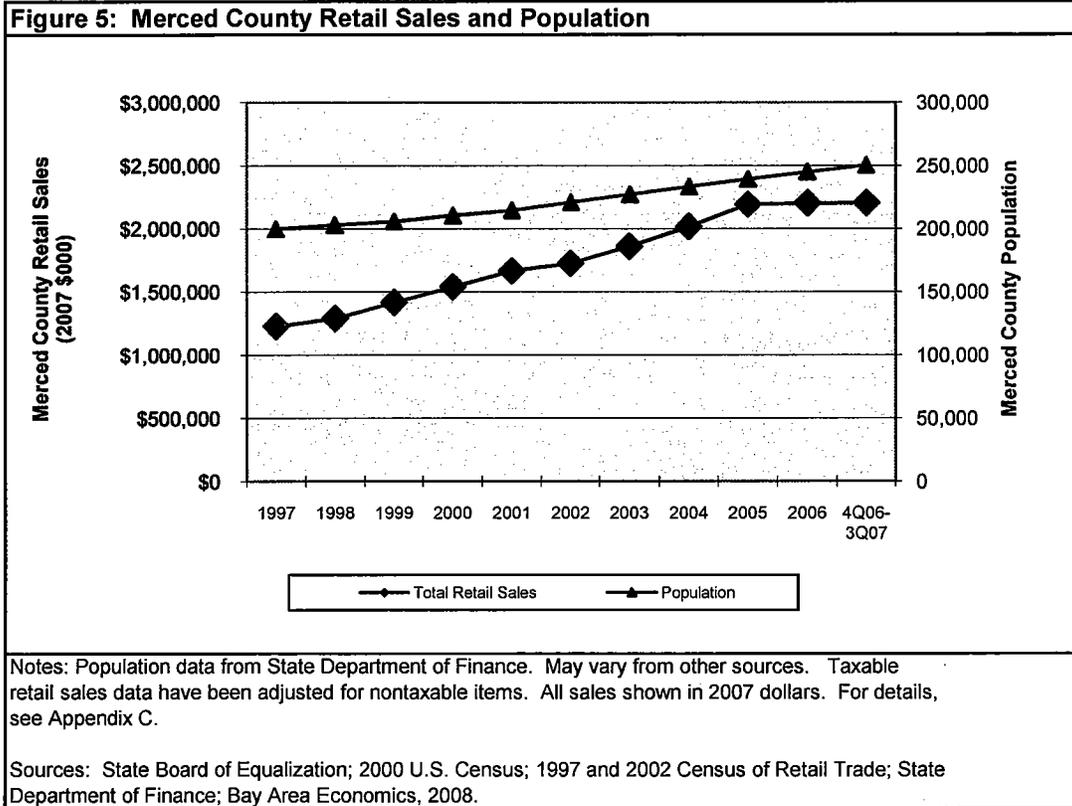
The Trade Area is situated largely within Merced County, with the remainder in a rural area of Fresno County with few retailers. For comparison purposes, data from Merced County as well as Merced City, the largest population node within the County, are presented here.

The City of Merced is the largest city in Merced County, and is the dominant retail node. In the City of Merced, estimated retail sales increased by over 60 percent between 1997 and 2007, while population increased only 29 percent (see Figure 4). Sales for the most recent four quarter period are estimated at approximately \$1.14 billion, or over half of all retail sales in Merced County, even though the City has only 32 percent of County population. By comparison, Los Banos comprises only 16 percent of the County's retail sales, and 14 percent of its population. The City of Merced, however, showed peak sales in 2005, with slight declines in the two subsequent years, while sales in Los Banos continued to grow.

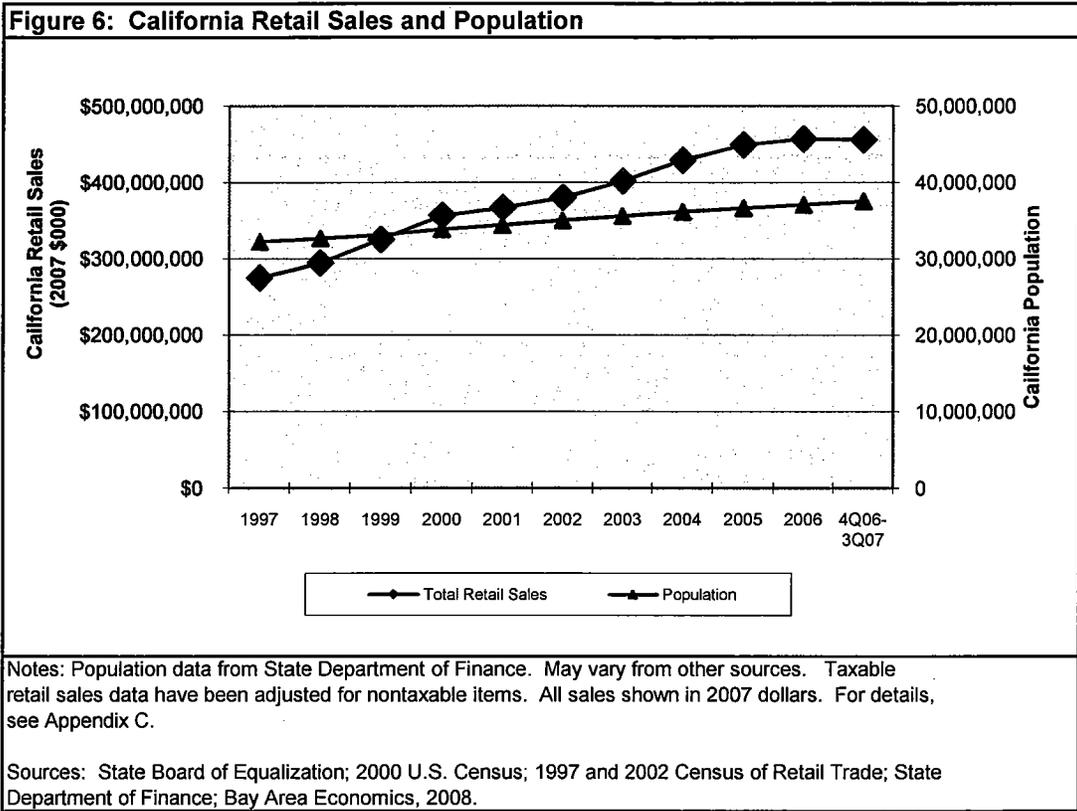


For Merced County overall, estimated retail sales increased by nearly 80 percent over the 1997 to 2007 period (see Figure 5). This increase is far greater than the population growth of 25 percent, indicating either increasing capture of sales previously leaking out of the County (e.g., shoppers venturing to Modesto, Turlock, or Fresno), or increased purchasing power among County residents, or perhaps some of both. Sales in the County reached an estimated \$2.2 billion for the

most recent four quarter period available. Sales have increased every year since 1997, although the increases between 2005 and 2007 have been minimal, and in fact sales have declined on a per capita basis (see discussion below).



It appears that Merced County mirrors statewide trends. Estimated retail sales for California increased by two-thirds over the 1997 to 2007 period, while population increased only 17 percent (see Figure 6). California sales peaked in 2006, with a small decline for the most recent four quarters for which data were available for this analysis. Since most retail sales in the state are generated by its residents (with some minimal allowance for leakages or injections from neighboring states, and dollars spent by tourists and other visitors), this indicates that available per capita disposable income increased over the decade (or at least the first several years). The following section discusses per capita sales in more detail.

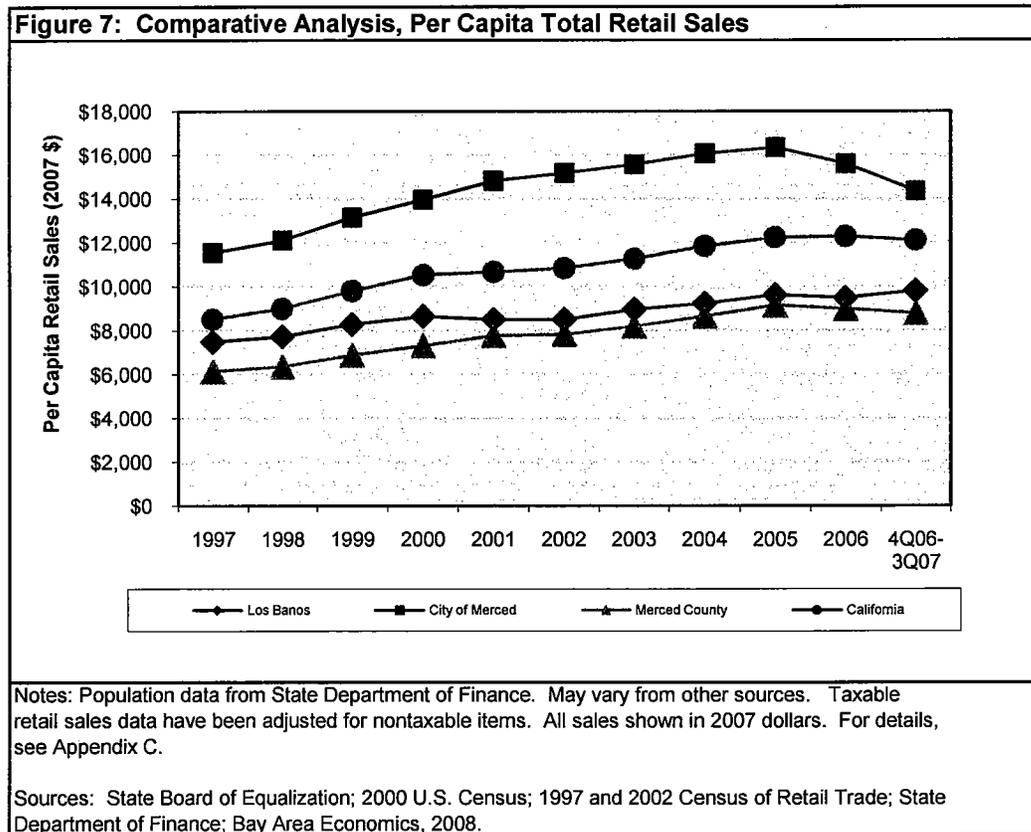


The trend data (where available) indicate that for all areas, long-term overall retail spending has outpaced population growth, but that since 2005, sales growth has slowed or stopped in the areas considered above, with the exception of Los Banos itself, where strong sales increases continued into 2007. The continued sales increase in Los Banos may be related to the City and the Trade Area reaching a population threshold such that it is capable of supporting additional major retail types, for which local shoppers previously had to journey to the City of Merced and other major retail nodes beyond the Trade Area.

Overall Per Capita Retail Sales

Per capita retail sales are an indicator of the relative strength of a locale as a retail destination; other factors being equal, higher per capita sales relative to a larger benchmark area point toward attraction of shoppers from outside the area, and lower per capita sales indicate that local shoppers are going elsewhere to make their purchases. As shown in Figure 7 and Table 11, annual per capita sales generally trended upward for Los Banos, the City of Merced, Merced County, and California between 1997 and 2005. After 2005, annual per capita sales have either declined or remained relatively flat, with the exception of Los Banos itself, where per capita sales increased between 2006 and 2007. Los Banos has overall per capita annual sales slightly above Merced County, but well below the City of Merced and California. For the most recent reported four quarters, Los Banos has overall annual per capita sales of \$9,826, compared with \$8,805 for

the County, \$14,376 for the City of Merced, and \$12,131 for California overall. Data derived from the Business Patterns source and shown in Table 10 above confirm that Los Banos has per capita sales below the State, and that the Trade Area overall has annual per capita sales slightly lower than for Los Banos alone.



The low levels of per capita sales in Los Banos, the Trade Area, and Merced County relative to the state may link to a number of factors. First, per capita incomes in the region are low relative to the state (see Table 7 above) likely leading to lower disposable income levels. Second, all these areas may be losing sales to retailers in larger Central Valley cities such as Modesto and Fresno that offer a broader range of shopping opportunities. Historically with even fewer retail options than the County overall, Los Banos and the Trade Area may be losing retail dollars on an intracounty basis to the City of Merced, which shows very high per capita retail expenditures. Unlike the City of Merced, the Trade Area retail is likely largely serving local residents and workers rather than attracting shoppers from elsewhere.

The sections below present additional detail on food store and general merchandise stores, as these are the two key categories most likely to be impacted by the Walmart expansion. Following that is a discussion of restaurants and other retail categories, especially those with the potential to occupy some of the outlots in the Proposed Project.

Food Stores

The Proposed Project's Walmart expansion consists largely of the equivalent of a full-service supermarket, which would be directly competitive with food stores now serving Los Banos and the Trade Area. Los Banos has estimated annual per capita food store sales for the most recent four quarters of \$2,060, above the countywide and statewide figures of \$1,497 and \$1,867, respectively (see Table 11 above). Estimates derived for the whole Trade Area, however, as shown in Table 10 using a different data source, indicate that per sales are very low in the remainder of the Trade Area, such that overall per capita Trade Area food store sales are lower than for the state. Thus while Los Banos may be drawing grocery shoppers from the surrounding portions of the Trade Area, the entire Trade Area has low per capita food store sales relative to the state. This may be due to shoppers going to larger stores such as WinCo in Modesto or Fresno and pantry-loading.

Over the last decade of reported sales, inflation-adjusted per capita food store sales have increased slightly in Los Banos, with the highest level reached in 2005. This increase is below that for overall per capita sales for the City; this is likely because of the local-serving nature of food store sales, where a large population does not necessarily lead to the critical mass necessary to support additional retail types that would capture a greater proportion of sales in the category. Thus total food store sales have tracked more closely to population increases than many other retail categories, with estimated total food store sales in Los Banos of \$72 million in the most recent four quarters.

General Merchandise Stores

The Proposed Project will include an expansion of the Walmart store's general merchandise floor space. For the most recent annual period (as shown in Table 11 above), general merchandise store sales in Los Banos are estimated at \$2,285 per capita, slightly above Merced County at \$1,897 and California at \$2,118. This is explained in part by capture from the remainder of the Trade Area, where the only substantial competitors in this category are small drug stores in Gustine and Dos Palos. Thus, as indicated in Table 10 above, per capita general merchandise sales for the whole Trade Area are below the statewide benchmark.¹⁷ The levels may also be explained in part by the relative isolation of Los Banos from competing retail centers, as well as the historic lack of other shopping opportunities in the City, where the major general merchandise outlets provide goods such as electronics and the City lacks stores specific to that category of good.

Overall, general merchandise store sales in Los Banos for the most recent four quarters are estimated at slight more than \$80 million, an increase of nearly three-quarters over the decade, and slightly less than one-fourth of all general merchandise store sales countywide. It should be

¹⁷ As noted in the table and elsewhere, Table 10 relies on a slightly different methodology for estimating sales that is based on per-employee sales estimates and Zip Code Business Patterns data and has some level of imprecision. The actual numbers in Table 10 may be of some use relative to each other, but should only be compared with the other Tables based on State Board of Equalization data with extreme caution.

noted that these figures pre-date the opening of the new Target store, which may be generating additional local sales.

Eating and Drinking Places

Based on the site plan BAE has assumed a 10,000 square-foot restaurant on Outlot 2. Sales in the eating and drinking places category totaled approximately \$35.5 million in the most recent annual period, as shown in Table 11 above. On a per capita basis, sales in Los Banos are relatively high compared to Merced County overall, at \$1,014 in the City as contrasted with only \$742 countywide. The City of Merced is slightly higher at \$1,165, but all these figures are below California statewide level at \$1,365. The lower per capita sales levels in Merced County may result from the lower per capita income levels and the larger household sizes, leading to less dining out and more consumption of food at home.

Other Retail Categories

For a grouping of more specialized retail outlet types suitable for the outlots of the Proposed Project, per capita sales indicate that Los Banos may be significantly under-retailed.¹⁸ As shown in Table 11 above, in the combined key categories, 2007 annual per capita sales in Los Banos are estimated at \$673. In contrast, sales for this cluster of outlet types are \$1,966 in the City of Merced, \$1,255 in Merced County, and \$2,758 in all of California. For apparel stores and home furnishings/appliance stores, per capita levels are less than 20 percent of the statewide levels, and for the other retail stores category per capita sales levels are less than one-third of the statewide level. Even assuming decreased spending power in the Trade Area due to lower incomes, these levels are extraordinarily low. Much of this may be related to fact that historic population levels have not been capable of supporting specialized retail outlets such as apparel, electronics, or chain book stores. The lack of shopping opportunities in these categories may also be a factor in the relatively high per capita sales in the general merchandise category, e.g., local residents purchasing more apparel at Walmart and Target due to the lack of other options in Los Banos. Either expanded offerings at the Walmart or new retail stores of these types on the outlots could lead to increased local retail expenditures.

Leakage Analysis and Demand for New Retail Space in the Trade Area

Overview of Methodology

Retail leakage analysis compares actual retail sales in an area with some benchmark that provides a measure of the potential sales generated by that area's residents. If sales levels are below the predicted level, the area may be able to support increased sales. This increase in sales could take the form of increased sales in existing outlets or in new outlets.

¹⁸ The key categories are apparel, eating and drinking places, home furnishings and appliances, building materials, and the other retail stores category. It is assumed that due to the presence of Home Depot and the recently opened Lowe's that Los Banos has generally adequate retail offerings in that category. This is confirmed by the annual per capita sales for building materials, which are on par with the state.

A lower-than-predicted sales volume implies that consumers are traveling outside the area to shop; thus, the sales are “leaking” out of the study area. Conversely, if the area shows more sales than would be expected from the area’s characteristics, there are sales “injections” into the study area. Often, an injection of sales indicates that the study area is serving as the regional shopping destination for a broader area. On the other hand, if an area shows substantial leakage, it may be due to the presence of a region-serving retail node outside but near the study area capturing those “leaked” sales. In such a case, the study area itself may not have sufficient population to support the region-serving retail, so those sales cannot necessarily expect to be captured within the study area.

There are a number of factors that can be used to predict sales levels, with the two most important factors being the number of persons in the area and the disposable income available to that population. Additional factors influencing retail spending in an area include household type, age of population, number of workers in the area (i.e., daytime population), tourism expenditures, tenure patterns (owner vs. renter), and cultural factors.

As noted above, Los Banos has overall per capita sales below statewide levels, even as some categories, including general merchandise stores and food stores, have sales per capita above California’s. Factoring in the entire Trade Area, however, indicates that even for these two categories the Trade Area is underperforming California. This alone, however, does not indicate that the Trade Area is “leaking” sales to other locales; for instance, the lower per capita income levels could account to some degree for differing local spending patterns, and shopping patterns may vary local due to consumer preferences as well as the options available locally.

To better determine whether the Trade Area is losing sales to other locales (e.g., City of Merced), BAE’s approach to creating a benchmark is to combine retail sales data for a group of Central Valley counties ranging from San Joaquin down to Kern County; these counties as a group are similar to Los Banos and the Trade Area with respect to per capita income, median household income, and household size. In addition, they represent a large geography where the market is for the most part self-contained and not subject to major leakages of sales. The selected counties making up the Combined Benchmark Area and detail on retail sales by county are shown in Appendix G.

Trade Area Sales Potential

Using Trade Area data from 2006 (the most recent available) and adjusting for recent store openings in Los Banos, BAE has estimated leakage in 2008 of retail sales from the Trade Area. The results of this analysis are shown in Table 12. The Trade Area shows substantial leakages of sales in most major retail store categories.¹⁹ Total net retail sales leakages are estimated to be

¹⁹ This estimate assumes that under baseline conditions, Trade Area shoppers will continue to buy at retail outlets in the future as they did per the estimated sales data. It should be noted that Los Banos continued to show increases in sales even as other areas began to decline after 2005. In any case, this leakage will be applied to 2012, at which point the economy is currently expected to recover (see discussion regarding national and statewide economic trends), and BAE conservatively estimates no population growth between 2008 and 2012.

equivalent to ten percent of potential sales for the Trade Area, or \$68 million out of \$682 million in total annual potential sales. This indicates that Trade Area residents are shopping elsewhere and that there may be potential for additional retail development in the Trade Area.

Table 12: Leakage Analysis

Baseline/2012 w/o Proposed Project	Baseline Annual Per Capita Retail Sales 2007 \$ (a)		Trade Area 2008/2012 Total Annual Retail Sales 2007 \$000		Total Injection/ (Leakage) 2007 \$000	Per Capita Injection/ (Leakage) 2007 \$
	Trade Area	Benchmark Area	Estimated Sales	Potential Sales		
	\$234	\$397	\$14,375	\$24,410	(\$10,035)	(\$163)
Apparel Stores	\$1,664	\$2,214	\$102,436	\$136,300	(\$33,865)	(\$550)
General Merchandise Stores (b)	\$1,215	\$1,556	\$74,826	\$95,806	(\$20,980)	(\$341)
Food Stores	\$994	\$977	\$61,186	\$60,141	\$1,045	\$17
Eating and Drinking Places	\$136	\$547	\$8,343	\$33,647	(\$25,304)	(\$411)
Home Furnishings & Appliances	\$568	\$862	\$34,966	\$53,049	(\$18,082)	(\$294)
Building Materials	\$1,998	\$2,699	\$122,997	\$166,174	(\$43,176)	(\$701)
Motor Vehicles and Parts	\$2,268	\$853	\$139,618	\$52,496	\$87,121	\$1,415
Service Stations	\$895	\$975	\$55,093	\$59,999	(\$4,907)	(\$80)
Other Retail Stores						
Total	\$9,971	\$11,079	\$613,839	\$682,022	(\$68,182)	(\$1,108)
Other Key Retail Categories (c)	\$1,832	\$2,779	\$112,776	\$171,104	(\$58,328)	(\$947)

2014 and 2016 w/o Proposed Project	Trade Area 2014 Total Annual Retail Sales 2007 \$000		Total Injection/ (Leakage) 2007 \$000	Per Capita Injection/ (Leakage) 2007 \$	Trade Area 2016 Total Annual Retail Sales 2007 \$000		Total Injection/ (Leakage) 2007 \$000	Per Capita Injection/ (Leakage) 2007 \$
	Estimated Sales	Potential Sales			Estimated Sales	Potential Sales		
	\$15,192	\$25,797	(\$10,605)	(\$172)	\$16,055	\$27,263	(\$11,208)	(\$182)
Apparel Stores	\$108,258	\$144,048	(\$35,789)	(\$581)	\$114,412	\$152,235	(\$37,824)	(\$614)
General Merchandise Stores (b)	\$79,079	\$101,251	(\$22,172)	(\$360)	\$83,574	\$107,006	(\$23,433)	(\$381)
Food Stores	\$64,664	\$63,559	\$1,105	\$18	\$68,340	\$67,172	\$1,167	\$19
Eating and Drinking Places	\$8,817	\$35,559	(\$26,742)	(\$434)	\$9,318	\$37,581	(\$28,262)	(\$459)
Home Furnishings & Appliances	\$36,954	\$56,064	(\$19,110)	(\$310)	\$39,054	\$59,250	(\$20,196)	(\$328)
Building Materials	\$129,988	\$175,619	(\$45,630)	(\$741)	\$137,377	\$185,601	(\$48,224)	(\$783)
Motor Vehicles and Parts	\$147,553	\$55,480	\$92,073	\$1,496	\$155,940	\$58,634	\$97,306	\$1,581
Service Stations	\$58,224	\$63,410	(\$5,186)	(\$84)	\$61,534	\$67,014	(\$5,480)	(\$89)
Other Retail Stores								
Total	\$648,729	\$720,787	(\$72,058)	(\$1,171)	\$685,604	\$761,757	(\$76,154)	(\$1,237)
Other Key Retail Categories (c)	\$119,187	\$180,830	(\$61,643)	(\$1,001)	\$125,961	\$191,108	(\$65,147)	(\$1,058)

Benchmark Area per capita sales have been assumed as a baseline against which to compare the Trade Area. Sales assumed to be "leaking" from the Trade Area if that area has per capita sales below benchmark sales. For detail on derivation of benchmark sales, see Appendix G. Table shows estimated leakage for each year without Proposed Project in place. Since no population growth has been assumed from 2008 through 2012, leakage will be the same for both years.

(a) Per capita sales have been estimated using Zip Code and County Business Patterns employment data and per-store employee sales data by detailed NAICS code from the 2002 Economic Census. These estimates may vary from SBOE and other sources, and may not be directly comparable as a result. For instance, it appears that a major Los Banos store classified as general merchandise by SBOE is classified as an apparel store in the Business Patterns data. 2006 represents most recent data available at time of analysis. In some of these areas, population growth has been substantial over the last few years, and many new retail outlets have opened. For this table, Trade Area locales have been defined by Zip Code due to data availability. Zip codes are as follows:

Los Banos	93635
Dos Palos	93620
South Dos Palos	93665 (this is a P.O. Box Zip Code, but has reporting businesses)
Gustine	95322

These Zip Codes represent the best fit to the STA Census Tracts, but boundaries vary somewhat from the Source data from 2006; per capita numbers have been adjusted upward for general merchandise stores and building materials stores to take into account assumed capture by the Lowe's, Home Depot, and Target, that opened late that year or in subsequent years. Trade Area 2008 baseline population from Table 5.

(b) Estimates have been adjusted from Table 10 to account for opening of Target.

(c) Includes apparel, home furnishings and appliances, building materials, and other retail stores. Excludes automotive-related retail.

Sources: Claritas; 2000 U.S. Census; State Department of Finance; U.S. Census of Retail Trade, 2002; Zip Code and County Business Patterns; Bay Area Economics, 2008.

For the key category of general merchandise stores, 25 percent of potential sales are estimated as being captured outside the Trade Area. Los Banos is lacking in two key general merchandise categories: traditional department stores and warehouse clubs; this may account for part of this sales leakage. Even in the more local-serving Food Store category, the analysis indicates that 22 percent of potential sales are going outside the Trade Area. This may be due to a combination of factors, including shoppers at the outer edges of the Trade Area going outside the area (e.g., Gustine shoppers going to the Nob Hill Foods in nearby Newman), or pantry loaders venturing out to stores such as the WinCo stores in Modesto and Fresno.

There are also leakages in all other major retail store categories, with the exception of restaurants, where sales are in balance with estimated demand, and service stations, which show considerable sales injections. Some of the noted leakages may be captured by the Proposed Project. For the service station category, and to some extent for eating and drinking places, this may be due to outlets on Interstate 5 (as discussed above) as well as Los Banos's position straddling a major cross-valley route into the Bay Area.

Table 12 also shows estimated leakage in 2012, 2014, and 2016, to measure the impacts of market growth over time. Since the analysis here assumes no population growth from 2008 through 2012, leakages in 2012 are estimated to be the same as in 2008. For the subsequent years, it is assumed that under baseline conditions the proportion of sales leakage will remain the same over time (assuming the current retail mix), so the dollar amount of leakage increases gradually, even as sales in the area also increase.

INVENTORY OF EXISTING COMPETITIVE RETAIL

This chapter profiles existing competitive retail space in the Trade Area by key major retail categories, including retail centers, and provides an overview of retail real estate market conditions in the Trade Area. The analysis is based on an area tour, interviews with brokers handling retail properties, and additional research including online searches and contacts with store operators and city staff.

Overview by Key Retail Categories

The Proposed Project may capture some of these leakages, but it is also likely to capture sales from established stores within the Trade Area, especially from the directly competitive supermarkets. Following is a discussion of the key categories of food stores and general merchandise stores in the Trade Area, with a more general discussion of other retail outlets and nodes following.

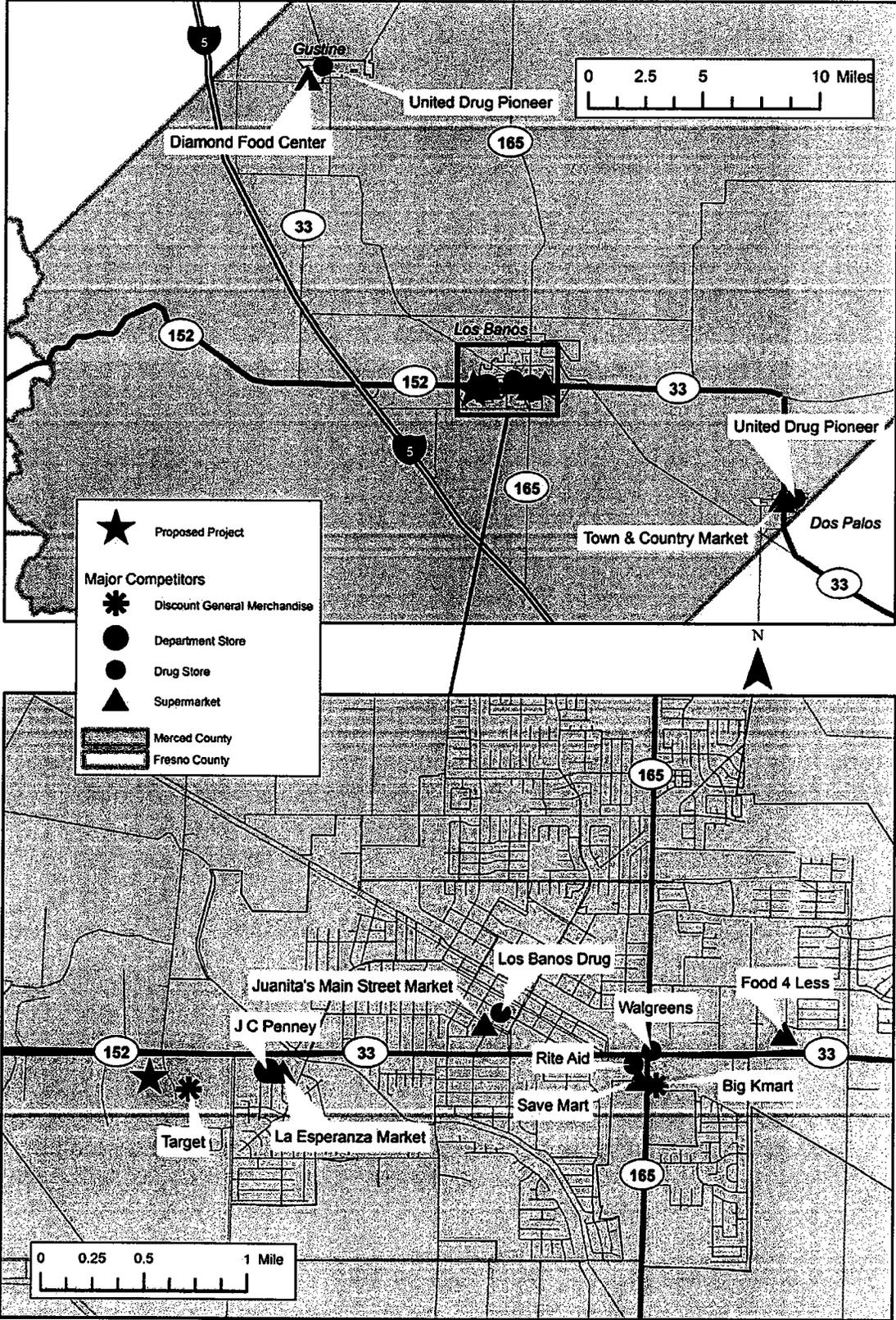
Food Stores

The Proposed Project would include space equivalent in function and layout to a supermarket, so the existing supermarkets in the Trade Area would be directly competitive with the expanded Walmart. Supermarkets rather than smaller convenience-oriented markets would be the primary outlets facing increased competition from the expanded Walmart; the smaller markets cater to shoppers geared toward extreme convenience, service, or specialty items not available in the larger stores, and those who shop at these stores currently are assumed to continue to frequent those types of stores rather than the existing supermarkets or the supermarket-equivalent offerings represented by the Walmart expansion. Furthermore, these smaller stores are not usually the anchor tenants of other shopping centers, and their closure would not be as likely to adversely affect other nearby shops.

At the time of BAE's research in November 2008, there were four full-service supermarkets operating in Los Banos and one each in Gustine and Dos Palos, as shown in Table 13 and Figure 8. In Los Banos, there are two major chain supermarkets, Save Mart and Food 4 Less, and two smaller ethnic supermarkets, La Esperanza Market (part of a chain based in Watsonville), and Juanita's Main Street Market, an independent market. The independent Town & Country Market operates in Dos Palos, and Gustine has a Diamond Food Center.

Table 13: Competitive Supermarkets in the Trade Area	
	Estimated Total Square Feet
Save Mart <i>1337 E Pacheco Blvd Los Banos</i>	38,200
Food 4 Less <i>2000 E Pacheco Blvd Los Banos</i>	59,809
Juanita's Main Street Market <i>1109 6th St Los Banos</i>	18,800
La Esperanza Market <i>937 W Pacheco Blvd Los Banos</i>	23,000
Total Supermarket Space in Los Banos	139,809
Diamond Food Center <i>1520 Meredith Ave Gustine</i>	17,000
Town & Country Market <i>2649 Blossom St Dos Palos</i>	25,000
Total Supermarket Space in Trade Area	181,809
Source: BAE 2008, based on information from City of Los Banos and Google Earth.	

Figure 8: Competitive Retail Outlets



The 35,000 square-foot Save Mart, which opened in 1969, is a midscale generic supermarket, while the 59, 809 square-foot Food 4 Less, which opened in 2002, is in a warehouse store format; these two stores are most similar to the grocery component of a Walmart. The two smaller markets are geared toward a Latino clientele; La Esperanza Market, which is the store closest to the Proposed Project, opened in 2006 and is 23,000 square feet, while Juanita's Main Street Market is estimated at 18,750 square feet, and has been operated by the current management since late 2008. While these two Latino markets have more recent opening dates, both represent reuse of spaces that have previously been occupied as supermarkets.

Site visits indicated moderate traffic at most of these stores, with the busiest store being the Food 4 Less and the least busy being Juanita's Main Street Market downtown. That store appeared to be underutilizing its space, with portions of the interior floor clear of merchandise.

The Diamond Food Store in Gustine is estimated at 17,000 square feet, and as a smaller supermarket is likely local-serving, with its customers from Gustine and its immediate surroundings. The Town & Country Market, at an estimated 25,000 square feet, serves a similar function for local residents in Dos Palos and South Dos Palos. Both of these stores have reported opening dates of 1988.²⁰

To determine sales for these stores as part of assessing current performance, BAE contacted store representatives. None of the stores contacted was willing to share sales figures, which are usually considered proprietary, although some respondents shared impressions of their general sales strength and overall market conditions. Alternatively, BAE relied on the following: site visits to get a sense of overall traffic; data from Trade Dimensions, a vendor of store-by-store retail sales data acquired through various means including industry insiders; and numbers based on published retail sales data for the food store category. General sales data includes figures derived from the State Board of Equalization, Zip Code Business Patterns, and the 2002 Census of Retail Trade. Based on available data, BAE estimates the overall sales at the existing directly competitive supermarkets at approximately \$60 to \$65 million annually, or approximately \$425 to \$465 per square foot.²¹ This is slightly lower than the median sales per square foot of \$473 for neighborhood shopping centers from Dollars & Cents of Shopping Centers/The SCORE 2008.²² However, site visits and available data indicate that the two chain stores, Food 4 Less and Save

²⁰ All opening dates are from Trade Dimensions, with the exception of Juanita's Main Street Market.

²¹ It should be noted that due to nondisclosure agreements, BAE cannot publish the individual store sales estimates from Trade Dimensions. The overall estimates here should be taken as having some margin of error rather representing a precise estimate of sales.

²² Published by Urban Land Institute/International Council of Shopping Centers, 2008. The stores found in the Trade Area are typically in centers anchored primarily by the supermarkets, and thus fitting in this category, or are standalone stores. La Esperanza Market is in a center with a JC Penney store, but this is a small, non-mall JC Penney. Note that there appears to be considerable variability in this ULI benchmark estimate over time; only two years earlier, the preceding version of this publication listed the same data point as \$349. The substantial change between the 2006 and 2008 publications may relate in part to sampling and data collection issues (total sample size of stores was in the 85 to 120 stores range) rather than such a large increase in sales.

Mart, are probably performing at or above this benchmark. The smaller local stores are performing at lower levels, but also may have lower costs (e.g., lease costs and labor costs) and thus could have the ability to survive at lower sales levels.

General Merchandise Stores

There are four major general merchandise stores in the Trade Area; all of them in Los Banos (see Table 14). First is the existing 109,508 square-foot Walmart store, which opened in 1994. Nearby is the Target of approximately 132,000 square feet, which opened in July 2008. The Kmart, located at the intersection of Pacheco Boulevard and Mercey Springs Road, is 85,279 square feet, and opened in 1993. In addition to these three discount department stores, JC Penney has a small non-mall store just to the east of Target and Walmart on West Pacheco Boulevard. This store is estimated at 54,000 square feet, and opened in 1993.²³ There are no major Trade Area general merchandise competitors outside Los Banos. However, there are three drug stores in Los Banos, including Walgreen’s, Rite Aid, and the downtown Los Banos Drug, which is noteworthy for still having a soda fountain and lunch counter. There are also small downtown drug stores in Gustine and Dos Palos. These stores are more convenience-oriented and local-serving, and have been competing effectively with the larger stores such as Walmart and Target for many years, and thus are not seen as likely candidates for closure due to the Proposed Project. The Trade Area has no warehouse club stores and no mall-type department stores with the exception of the small JC Penney store. Trade Area residents who wish to shop at these types of stores must venture out of the area, for instance to the larger cities in the State Route 99 corridor to the east.

Table 14: Competitive General Merchandise Stores in the Trade Area

	Estimated Total Square Feet
Walmart <i>1575 W Pacheco Blvd Los Banos</i>	109,508
Target <i>1405 W Pacheco Blvd Los Banos</i>	131,909
Kmart <i>1400 S Mercey Springs Rd Los Banos</i>	85,279
JC Penney <i>951 W Pacheco Blvd Los Banos</i>	54,000
Total General Merchandise Store Estimated Square Feet	380,696
Source: BAE 2008, based on information from City of Los Banos and Google Earth.	

Other Retail Outlets

As noted above, the Trade seems to be showing leakages of sales in most major retail store categories. This is likely related to the lack of certain types of retail outlets in the Trade Area, which is in turn related to the Trade Area’s historically lower population not yet at the critical mass of shoppers required to support certain types of retail, including specialty retail. The nearest malls are to the east along Highway 99, as are the nearest “big box” centers with retailers such as

²³ While the State Board of Equalization classifies this store as general merchandise, it appears that the Business Patterns data classifies it as an apparel outlet, accounting for some of the variation in the two estimates of general merchandise store sales in Los Banos and the Trade Area.

chain stores specializing in electronics, office supplies, or books. Large home improvement centers (Lowe's, Home Depot) have only recently opened in Los Banos. While the Trade Area may ultimately develop additional retail store types, currently residents must either venture outside the area, or purchase the types of goods found in these stores in more generalized stores such as Walmart.

Los Banos does have a variety of retail outlets, mostly along the length of Pacheco Boulevard as it passes through town, either free-standing or in one of the many shopping centers of various sizes and types. There are also a number of smaller shops in the older downtown area. These businesses are primarily local-serving and generate much less business than the larger outlets along Pacheco Boulevard. Gustine and Dos Palos have very limited retail, mostly in older small downtown areas. The highway-serving retail concentration at Interstate 5 and Santa Nella Boulevard appears to generate substantial sales in the restaurant and service station categories. BAE did not attempt to individually inventory restaurants in Los Banos or the Trade Area. As indicated by the leakage analysis, the Trade Area is nearly in balance in this category; the relatively strong sales may be due to capture of sales from highway travelers on Interstate 5 and traversing the Central Valley via Los Banos.

Overall Retail Real Estate Market

In any retail market, existing retail space is vacated due to functional obsolescence or the general cycle of retail closures and openings over time. For instance, the trend in the supermarket industry until recently has been toward larger stores and consolidation, with older stores reused by "second generation" tenants such as dollar stores, furniture outlets, and even non-retail uses such as fitness centers. Thus any retail market is likely to have a certain amount of vacant space due to normal turnover and changes in retailing, and vacancies alone do not necessarily indicate urban decay or physical deterioration.

Los Banos in the last few years has seen substantial additions to its retail square footage. Recent additions include Stonecreek Plaza, with Lowe's and Target as anchor tenants, the Home Depot, and College Plaza, anchored by Food 4 Less and Big 5 Sporting Goods. These centers are not yet fully built out, and College Plaza shows substantial vacancies in its built spaces. Among the older centers with anchor tenants, Los Banos Pavilion, Canal Farm, and San Luis Plaza show fairly high occupancy. Downtown, however, has numerous vacancies. BAE attempted to contact several retail brokers handling property in Los Banos, and successfully interviewed four brokers, handling a range of properties from downtown to the newer centers. These brokers report poor conditions currently in the retail real estate market, with tenants seeking rent concessions. The current economic downturn has adversely affected leasing activity, with College Plaza especially showing extremely high vacancies, especially in the smaller inline shops. Representatives of this center (in multiple ownership) thought that the Walmart expansion would pull more shoppers from this center at the east end of town toward the growing retail cluster around the Proposed Project.

In summary, current retail real estate market conditions in Los Banos indicate some level of over-retailing as economic growth has stalled. This may lead to project delays or cancellations, and

higher vacancies may persist over the next few years. However, assuming the economy recovers and growth resumes, these vacancies should resume absorption by the time the Proposed Project opens and demand increases. It should also be noted that these are current vacancies not linked to the yet-to-be-built Proposed Project.

IMPACTS OF PROPOSED PROJECT ON EXISTING RETAIL OUTLETS

Overview

This chapter evaluates the impacts on sales at existing retail outlets with the Proposed Project in place and with additional under construction and planned projects considered. The impacts of the Proposed Project alone are considered first, followed by a discussion of cumulative impacts, which takes into consideration other under-construction and reasonably foreseeable proposed retail projects in the Trade Area. The chapter concludes with findings on urban decay.

The retail categories where potential impacts are a primary focus of concern are supermarkets and general merchandise, because the Walmart would compete directly with both of these store types. With the exception of the outlot assumed to host a restaurant, the retail types for the additional stores on the outlots are unknown at this time. However, additional analysis of the impacts on restaurants and in these categories is also undertaken, resulting in an overview of overall retail impacts.

Estimated Sales at Project Opening

Economic impacts resulting in the closure of major supermarkets and larger general merchandise stores are more likely to lead to urban decay, especially if they anchor centers with other smaller retailers present. Vacancies in scattered smaller stores alone are less likely to result in a “downward spiral” to urban decay than the loss of the major anchor of a shopping center or district. The retail market responds regularly to scattered small vacancies as part of the normal business cycle, so vacancy of any smaller retail or restaurant space is far less likely to lead to urban decay.

The following analysis looks at three points in time: the year of project opening in 2012, 2014, and 2016; after 2012 population growth is assumed to have resumed in keeping with historical trends. The project opening year, 2012, is the first year where there would be potential sales impacts, and the other points in time represent conditions beyond that point taking into account expected population growth and economic changes. Basing the analysis on this timeline is appropriate because projected recovery over this period would provide strong incentives for owners to maintain vacated properties in good condition and so that they are suitable for releasing, even if there is some amount of lag time in the reuse process. Thus, if potential baseline sales return to current levels or exceed them within four years, the likelihood is that a vacant space would be kept in good order by the owner through the recovery period, or re-tenanted within a reasonable amount of time such that property owners would maintain their properties and not allow them to fall into disrepair.²⁴ At the same time, any store closures would

²⁴ Since sales would increase gradually over time in an area such as Los Banos with continued long-term population increases, any vacant properties would re-absorb gradually, meaning that the potential for rental and the motivation to keep a property in usable condition would not just be a function of sales levels four years after opening.

not result immediately upon the opening of the Proposed Project, but if they occur at all, would occur over a period of several years as competing businesses determined whether they could survive in a more competitive economic climate, taking into account long-term growth that could overcome any short-term losses. In the event an existing retail store is already operating at or near its margins or is otherwise struggling to stay open, the addition of a competitor to the marketplace could lead the store to close sooner than it would otherwise have done so. Beyond four years, the potential entry of other retailers, possible changes in consumer shopping patterns, general economic conditions, and other factors would make any attempt at an urban decay analysis highly speculative.

BAE has made a baseline estimate of the performance of the Proposed Project assuming stabilized performance and a full year of operations from the beginning of 2012. As shown in Table 15, the Proposed Project²⁵ is estimated to achieve total annual sales of approximately \$50.7 million. These sales estimates are conservatively based on stabilized operations at full performance levels; it is possible that early years would see lower levels of sales as the project reached stabilized benchmark performance levels. The use of larger sales estimates for the first year based on stabilized sales is a conservative estimate in that it may overstate impacts in the initial year of project operation.

Table 15: Estimated Sales in Project at Opening			
Type of Store	Square Feet (a)	Sales per SF	Estimated Sales in Proposed Project
Supercenter			
General Merchandise Equivalent			
<i>Existing Space</i>	109,508		
<i>New Space</i>	14,300	\$423 (b)	\$6,000,000
Supermarket Equivalent	55,000	\$423 (b)	\$23,200,000
Outlot 1	25,000	\$284 (c)	\$7,100,000
Outlot 2	10,000	\$445 (d)	\$4,500,000
Outlot 3	34,900	\$284 (c)	\$9,900,000
Total	248,708		\$50,700,000
All sales estimates in 2007 dollars. Total sales rounded to nearest hundred thousand. Proposed Project consists of the expansion to Walmart; excludes existing space.			
(a) Derived from Table 1 per latest site plan available.			
(b) Based on sales per square foot from Wal-Mart 2008 Annual Report to Stockholders.			
(c) Based on the median sales per square foot of super community/community shopping centers from <i>Dollars & Cents of Shopping Centers/the SCORE 2008</i> , published by ULI/ICSC.			
(d) Based on data on taxable restaurant sales from the HdL companies, as combined by BAE. See Appendix H.			
Source: Bay Area Economics, 2008, based on information from Urban Land Institute (ULI)/International Council of Shopping Centers, and Walmart.			

²⁵ Note that the project is defined as the additional new space, and the sales levels shown here are sales in this net additional space, not in the existing store.

Potential Capture of Leakage by Proposed Project

As discussed above, the Trade Area shows substantial leakage of retail sales, in several major store categories. In Table 16, BAE estimates the Proposed Project's potential capture of leakage by major store category for 2012, the assumed first full year of project operation, and for 2014, and 2016. The capture rates for food stores is set relatively high, based on the assumption that the Walmart could capture a substantial portion of the pantry-loading shoppers and others currently shopping for groceries outside the Trade Area. For general merchandise and other retail, the capture rate is set lower; the limited additional Walmart space does not represent a new store type, and it is assumed that since the area will still not have a major department store, warehouse club, or certain types of specialty general merchandise retail, that some shopping trips will still be to destinations outside the Trade Area. The eating and drinking places category shows no leakage. The other key categories includes building materials, so this capture rate is set lower based on the assumption that some of the additional leakage will be captured by the two recently-opened home improvement centers.

In 2012, the total potential capture of leakage in the Proposed Project is estimated at \$30.9 million. By 2014, this increases to \$32.6 million, and by 2016 to \$34.4 million. Over half of this estimated potential capture is in the food stores category.

Table 16: Estimates of Potential Sales Leakage Capture			
2012			
Store Category	Leakage	Potential Capture, Proposed Project	Potential Captured Additional Sales (a)
General Merchandise Stores	(\$33,900,000)	10%	\$3,400,000
Food Stores	(\$21,000,000)	75%	\$15,800,000
Eating and Drinking Places	\$0	0%	\$0
Other Key Retail Categories (b)	(\$58,300,000)	20%	\$11,700,000
Total, 2008/2012	(\$113,200,000)		\$30,900,000
2014			
Store Category	Leakage	Potential Capture, Proposed Project	Potential Captured Additional Sales (a)
General Merchandise Stores	(\$35,800,000)	10%	\$3,600,000
Food Stores	(\$22,200,000)	75%	\$16,700,000
Eating and Drinking Places	\$0	0%	\$0
Other Key Retail Categories (b)	(\$61,600,000)	20%	\$12,300,000
Total, 2014	(\$119,600,000)		\$32,600,000
2016			
Store Category	Leakage	Potential Capture, Proposed Project	Potential Captured Additional Sales (a)
General Merchandise Stores	(\$37,800,000)	10%	\$3,800,000
Food Stores	(\$23,400,000)	75%	\$17,600,000
Eating and Drinking Places	\$0	0%	\$0
Other Key Retail Categories (b)	(\$65,100,000)	20%	\$13,000,000
Total, 2016	(\$126,300,000)		\$34,400,000
Notes:			
All sales in 2007 dollars, rounded to the nearest hundred thousand.			
(a) Leakages and captures have been rounded to nearest \$100,000.			
(b) Includes apparel, home furnishings and appliances, building materials, and other retail stores. Excludes automotive-related retail.			
Source: Bay Area Economics 2008, based on data from Claritas, 2000 U.S. Census, CA Department of Finance, CA Board of Equalization, U.S. Census of Retail Trade, 2002, and Zip Code and County Business Patterns.			

Capture of Sales from Outside the Trade Area

While the Trade Area should account for the large majority of shoppers for the Proposed Project, Trade Area boundaries are not absolute, and some shoppers from outside the Trade Area will shop at the Proposed Project. For instance, travelers on Highway 33 crossing the Valley might stop, and those driving Interstate 5 might come the short distance in from the highway to shop at the Walmart. Shoppers from Firebaugh might choose to come to Los Banos rather than dealing

with more congested conditions in the Fresno area. This attraction will be limited in part by the existence and development of other Supercenters and retail nodes in surrounding communities, such as the proposed Walmart in Patterson. As shown in Table 17, capture of sales from outside the Trade Area has been estimated at 10 percent of project sales, or \$5.1 million.

2012	Estimated New Sales in Proposed Project (a)	\$ Capture from Leakage (b)	% Capture from Outside Area	\$ Capture from Outside Trade Area (c)	\$ Capture from 2012 Existing Outlet Sales (d)
Type of Store					
General Merchandise Stores	\$6,000,000	\$3,400,000	10%	\$600,000	\$2,000,000
Food Stores	\$23,200,000	\$15,800,000	10%	\$2,320,000	\$5,080,000
Eating and Drinking Places	\$4,500,000	\$0	10%	\$450,000	\$4,050,000
Other Key Retail Categories (e)	\$17,000,000	\$11,700,000	10%	\$1,700,000	\$3,600,000
Total	\$50,700,000	\$30,900,000		\$5,070,000	\$14,730,000
2014	Estimated New Sales in Proposed Project (a)	\$ Capture from Leakage (b)	% Capture from Outside Area	\$ Capture from Outside Trade Area (c)	\$ Capture from 2014 Existing Outlets (d)
Type of Store					
General Merchandise Stores	\$6,000,000	\$3,600,000	10%	\$600,000	\$1,800,000
Food Stores	\$23,200,000	\$16,700,000	10%	\$2,320,000	\$4,180,000
Eating and Drinking Places	\$4,500,000	\$0	10%	\$450,000	\$4,050,000
Other Key Retail Categories (e)	\$17,000,000	\$12,300,000	10%	\$1,700,000	\$3,000,000
Total	\$50,700,000	\$32,600,000		\$5,070,000	\$13,030,000
2016	Estimated New Sales in Proposed Project (a)	\$ Capture from Leakage (b)	% Capture from Outside Area	\$ Capture from Outside Trade Area (c)	\$ Capture from 2016 Existing Outlets (d)
Type of Store					
General Merchandise Stores	\$6,000,000	\$3,800,000	10%	\$600,000	\$1,600,000
Food Stores	\$23,200,000	\$17,600,000	10%	\$2,320,000	\$3,280,000
Eating and Drinking Places	\$4,500,000	\$0	10%	\$450,000	\$4,050,000
Other Key Retail Categories (e)	\$17,000,000	\$13,000,000	10%	\$1,700,000	\$2,300,000
Total	\$50,700,000	\$34,400,000		\$5,070,000	\$11,230,000
<p>(a) From Table 15. (b) From Table 16. (c) Percent capture from outside area times estimated sales in Proposed Project. While a Trade Area will encompass most of a shopping center's customers, there are likely to be other shoppers from outside the trade area. The <i>Shopping Center Development Handbook</i> published by ULI describes a primary trade area as holding 70 to 80 percent of a center's customers, with a secondary trade area holding an additional 15 to 20 percent, or 85 to 100 percent for the combined areas. Thus even the combined areas would not necessarily include the entire customer base, due to travelers, in-commuters, and others who might end up also shopping at a center. Because of Los Banos's isolation from other population centers, it was possible to define a single combined Trade Area. However, the Proposed Projects sits on a major cross-valley route between I-5 and State Highway 99, and is just a short drive from highly-traveled I-5. Additionally, the project may attract shoppers from Newman, Firebaugh, and other areas just outside the designated Trade Area. Based on all these factors, BAE estimates a capture of 10% of project sales from outside the Trade Area. (d) Estimated capture from current sales in Trade Area equals estimated sales in project less sales captured from leakage and sales captured from outside the Trade Area. (e) Includes apparel, home furnishings and appliances, building materials, and other retail stores. Excludes automotive-related retail.</p>					
<p>Source: Bay Area Economics, 2008, based on information from the CA State Board of Equalization, 2000 U.S. Census, 2002 Census of Retail Trade, State Department of Finance, Wal-Mart Annual Reports, Trade Dimensions, the <i>Shopping Center Development Handbook</i> (Urban Land Institute, 1999) and Zip Code and County Business Patterns.</p>					

Capture of Sales from Existing Outlets in the Trade Area

While a new center may capture sales leakages and bring in shoppers from outside the Trade Area, it would also capture some proportion of its sales from existing outlets in the Trade Area. Table 17 above also shows estimates of the level of capture by category. The total capture from existing outlets is estimated at \$14.7 million in 2012, \$13.0 million in 2014, and \$11.2 million in 2016 as the Trade Area's population grows.²⁶

By category, the largest capture is estimated to be from food stores in the earlier years. In 2012, the capture from existing food stores is estimated at \$5.1 million. This declines to \$3.3 million by 2016, due to market area growth and additional leakage to be captured. The capture from existing general merchandise stores is estimated at \$2.0 million in 2012, declining to \$1.6 million by 2016. Because there is no leakage in the restaurant category, the capture from existing outlets remains constant through the 2012 to 2016 period. The estimated capture in the combined set of other key categories is \$3.6 million in 2012, declining to \$2.3 million in 2016 as the market area grows.

While Table 17 shows estimates of capture from existing retailers, the numbers shown represent sales that would be captured in each category that year, but sales at existing outlets (in the absence of the Proposed Project) would have grown from current baseline levels due to population growth; changes from current estimated baseline sales are shown in Table 18.

Overall, in 2012 there will be an estimated net decline of \$14.7 million, or four percent of the 2008 baseline total, for the retail store categories assumed to be represented in the Proposed Project (this excludes automotive retail and service stations). Much of the decline will be in the food store category, where sales declines are estimated at \$5.1 million, or seven percent of the baseline figure. Eating and drinking places are also estimated to have a sales decline of seven percent, or \$4.1 million. Losses for general merchandise stores are minimal at two percent or \$2.0 million, and losses for the other key categories are estimated at \$3.6 million or three percent of 2008 baseline sales.

By 2014 (only two years after the estimated project opening date), because of projected Trade Area population and demand growth, even with the Proposed Project in place existing retailers are estimated to see a net increase of \$7.1 million in overall retail sales for the store categories in the Proposed Project. Food store sales in existing outlets would be at approximately current levels, and sales in existing general merchandise and other key category stores would show modest increases. Only the eating and drinking places category would show losses from 2008 baseline levels, amounting to approximately one percent of sales. By 2016, the net increase in retail sales is \$29.9 million, or a nine percent increase over baseline levels. All of the categories also show an increase in sales.

²⁶ Note that while the leakage alone would be enough to support the project, it is assumed in this analysis that at least 10 percent of sales will be captured from existing outlets regardless of the potential level of leakage.

This analysis indicates that while food stores might see a net loss in short-term sales, these losses would be abated by 2014 due to overall growth in the Trade Area generating additional demand. Restaurant sales would show a decline initially but this loss also largely disappears within a couple of years. By 2016, overall sales at existing outlets would show increases due to area population and demand growth even with the Proposed Project in place. In short, the overall retail market in the City could absorb the additional space of the Proposed Project in a few years subsequent to opening.

Table 18: Net Change in Baseline Sales at Existing Outlets in Trade Area

2012	Existing Conditions (No Proposed Project)		Proposed Project in Place			
	Baseline Sales in Existing Outlets (a)	Sales in Existing Outlets, 2012 (b)	\$ Capture from Existing Outlets (c)	Sales in Existing Outlets, 2012 (d)	Change	% Change
					in Sales, Existing Outlets, 2008- 2012 (e)	in Sales, Existing Outlets, 2008- 2012 (f)
Type of Store						
General Merchandise Stores	\$102,400,000	\$102,400,000	\$2,000,000	\$100,400,000	(\$2,000,000)	-2%
Food Stores	\$74,800,000	\$74,800,000	\$5,080,000	\$69,720,000	(\$5,080,000)	-7%
Eating and Drinking Places	\$61,200,000	\$61,200,000	\$4,050,000	\$57,150,000	(\$4,050,000)	-7%
Other Key Retail Categories	\$112,800,000	\$112,800,000	\$3,600,000	\$109,200,000	(\$3,600,000)	-3%
Total	\$351,200,000	\$351,200,000	\$14,730,000	\$336,470,000	(\$14,730,000)	-4%

2014	Existing Conditions (No Proposed Project)		Proposed Project in Place			
	Baseline Sales in Existing Outlets (a)	Sales in Existing Outlets, 2014 (b)	\$ Capture from Existing Outlets (c)	Sales in Existing Outlets, 2014 (d)	Change	% Change
					in Sales, Existing Outlets, 2008- 2014 (e)	in Sales, Existing Outlets, 2008- 2014 (f)
Type of Store						
General Merchandise Stores	\$102,400,000	\$108,300,000	\$1,800,000	\$106,500,000	\$4,100,000	4%
Food Stores	\$74,800,000	\$79,100,000	\$4,180,000	\$74,920,000	\$120,000	0%
Eating and Drinking Places	\$61,200,000	\$64,700,000	\$4,050,000	\$60,650,000	(\$550,000)	-1%
Other Key Retail Categories	\$112,800,000	\$119,200,000	\$3,000,000	\$116,200,000	\$3,400,000	3%
Total	\$351,200,000	\$371,300,000	\$13,030,000	\$358,270,000	\$7,070,000	2%

2016	Existing Conditions (No Proposed Project)		Proposed Project in Place			
	Baseline Sales in Existing Outlets (a)	Sales in Existing Outlets, 2016 (b)	\$ Capture from Existing Outlets (c)	Sales in Existing Outlets, 2016 (d)	Change	% Change
					in Sales, Existing Outlets, 2008- 2016 (e)	in Sales, Existing Outlets, 2008- 2016 (f)
Type of Store						
General Merchandise Stores	\$102,400,000	\$114,400,000	\$1,600,000	\$112,800,000	\$10,400,000	10%
Food Stores	\$74,800,000	\$83,600,000	\$3,280,000	\$80,320,000	\$5,520,000	7%
Eating and Drinking Places	\$61,200,000	\$68,300,000	\$4,050,000	\$64,250,000	\$3,050,000	5%
Other Key Retail Categories	\$112,800,000	\$126,000,000	\$2,300,000	\$123,700,000	\$10,900,000	10%
Total	\$351,200,000	\$392,300,000	\$11,230,000	\$381,070,000	\$29,870,000	9%

All sales in 2007 dollars.

(a) Estimated sales current year. Derived from Table 12, and rounded to nearest hundred thousand.

(b) From Table 12. Represents sales without Proposed Project in place, based on current per capita spending levels. Rounded to nearest hundred thousand.

(c) From Table 17.

(d) 2012, 2014, and 2016 sales in existing outlets with no proposed project less capture with project in place. Represents estimated sales in existing outlets in Trade Areas with Proposed Project open and operating at stabilized levels.

(e) Change in sales at existing outlets from baseline conditions with project in place. Based on sales in existing outlets in the given year with project in place less baseline sales.

(f) Percent change in sales in existing outlets from current baseline, if Proposed Project is in operation.

Source: Bay Area Economics, 2008, based on information from the CA State Board of Equalization, 2000 U.S. Census, 2002 Census of Retail Trade, State Department of Finance, Wal-Mart Annual Reports, Trade Dimensions, and Zip Code and County Business Patterns.

Estimated Impacts of Proposed Project by Retail Store Category

Trade Area population and demand growth will serve to minimize the overall impacts of the project. However, food stores still show a net estimated loss of sales in the short term, and individual stores in other categories might be impacted. Following is a discussion of some of these potential impacts.

Food Stores

The lack of verifiable individual store data makes it difficult to draw definitive conclusions regarding the impacts on individual stores. However, interviews with store management, site visits, and Trade Dimensions data²⁷ provide information relevant to this discussion. By one measure, groceries still are primarily convenience shopping goods, so the stores most likely to be impacted would be those geographically closest to the Proposed Project; the closest store is La Esperanza Market. However, that store has a specialized focus on Latino shoppers, and based on that focus, the store may be less impacted as a result. The downtown supermarket also focuses on this market segment, and store management thought that targeting would help reduce impacts on the store. The most distant stores are those in Gustine and Dos Palos. These smaller stores are more focused on convenience for local shoppers in those communities, and less likely to be impacted as a result. Interviews with store management confirmed that this was also their impression of potential impacts.

As another measure, the stores most impacted would be those focused on a similar market niche, i.e., generic supermarkets competing on the basis of low prices. In Los Banos, the two major stores share similarities with the supermarket space in the Proposed Project. The Save Mart is most like a Walmart grocery component in terms of physical layout, while the Food 4 Less shares an orientation toward discount pricing. To the extent that travel time is a factor, the Food 4 Less is the store in Los Banos most distant from the Walmart, which may lessen potential losses due to the Proposed Project. The Save Mart is a relatively small store by modern major supermarket standards, while the more recently opened Food 4 Less is sized in the typical range for food warehouse operations. As discussed above, based on limited available data these stores are both performing at a level at or above industry norms. The losses estimated here, while substantial, would not necessarily be enough to force the closure of either of these major outlets.²⁸ In any case, within two years of completion of the Proposed Project, the overall demand for groceries should increase to the point where existing store sales overall should recover to current levels, such that barring other changes in market position and other factors, existing stores should see sales return to current or higher sales levels.

²⁷ Covered by non-disclosure agreements and thus not presented here. Note that not all stores are covered in the Trade Dimensions database.

²⁸ In Tracy, in 2006 Save Mart disclosed sales at two stores, still in operation today, with sales levels below \$300 per square foot. This indicates that this chain may have a profitability threshold well below the ULI median used here as a benchmark, and that this older store in Los Banos could also sustain lower sales levels. See the Retail Strategies Letter of June 20, 2006 to the Tracy City Council as part of the EIR process (after publication of the Final EIR but prior to project approval).

Even if the short-term losses led to closure of an existing supermarket, the overall growth in retail demand after 2012 should allow for re-tenanting in a relatively short period of time, either as a supermarket or some other retail use. Outside the Trade Area, the losses of sales at food stores attributable to the Proposed Project would be spread over many outlets such that impacts on any particular store would be minimal.

General Merchandise Stores

The Proposed Project also includes an expansion of general merchandise space within the Walmart. The main Trade Area competitors in this category are the nearby and recently opened Target and the Kmart, and to a lesser extent, the JC Penney store. The analysis above estimated, however, that the net loss from 2008 baseline levels in 2012 will be minimal, and even with the expanded Walmart in place and performing at Walmart benchmark levels, sales in existing general merchandise stores would increase above baseline levels by 2014.

While these sales levels do not indicate a net loss of sales over the long term, the Kmart may be performing at levels well below the Walmart and Target. While this could be seen as putting the store at greater risk, Kmart nationally has consistently performed well below Walmart and Target on a per square foot sales basis.²⁹ Part of this may be due to Kmart typically occupying older locations, as they do in Los Banos, with lower occupancy costs than Walmart or Target that allow their stores to operate profitably at a lower level.

The other general merchandise stores of note in the Trade Area are the drug stores, particularly the Walgreen's and Rite Aid stores in Los Banos. These stores, however, compete by offering a more convenient shopping experience than the larger discount stores, and have survived in the face of the existing big box outlets in Los Banos. JC Penney store representatives stated that they occupied a slightly different market niche also, and that the presence of an expanded Walmart nearby might actually serve to keep more shoppers in town and thus help sales at their store also. Outside the Trade Area, there are multiple large discount and other general merchandise stores in the larger cities along the State Route 99 corridor that might see some loss of sales from Los Banos shoppers, but these minor losses would be spread among outlets scattered along the corridor from Fresno north through Modesto, such that no store should be at risk of closure as a result of the Proposed Project.

Other Store Types

Walmart has been operating in the Trade Area for well over a decade; as a result, other types of stores that have survived to this point in time have done so by adapting to the presence of such a large general merchandise discount store. The expanded store will present additional competition, but because of overall demand growth, there should be sales support such that even if individual stores close, long-term store closures and vacancies should not result from the Walmart expansion component of the Proposed Project.

²⁹ See 10-Ks and Company Annual Reports for Kmart, Target, and Walmart.

The additional sales impacts resulting from development of the outlots should be absorbed by the market over time as population increases over time, generating additional demand in all retail categories

Cumulative Impacts

Per CEQA, the cumulative analysis for the proposed project must take into account other reasonably foreseeable projects in the Trade Area or elsewhere that might, in combination with the Proposed Project, result in cumulatively significant impacts. Projects to be considered in the cumulative analysis include projects which have been approved but not yet completed, and projects for which development applications have been filed, and may also include other potential projects which may have been announced but not yet formally proposed to the approving agency. Additionally, the analysis should consider whether projects beyond the Trade Area might result in cumulatively significant impacts.

Planned and Proposed Developments

According to City of Los Banos Planning Department staff, as of December 2008 there were a total of approximately 148,000 square feet of other retail space either currently proposed or under construction in Los Banos.³⁰

Cumulative Impacts

The under construction and proposed projects in the Trade Area would result in the addition of approximately 150,000 to 160,000 square feet of additional retail space over and above the Proposed Project. This space will be coming into a market where demand is assumed to have stalled in the last year, and there are also sizable vacancies in the College Plaza retail center and Downtown (see discussion above).

Downtown is in many ways a separate market niche from the remainder of the retail market in Los Banos. With a few exceptions, it no longer serves as an everyday shopping destination, but is transitioning to a role as a specialized area offering small local businesses a low-cost location suitable for unique shops, restaurants, and services. While currently seeing high vacancies and some structures in need of rehabilitation, the City is expending considerable effort to improve the area (as evidenced by the Redevelopment Agency's development plans for the former Union Pacific Rail right-of-way and other agency expenditures in the Downtown), and as Los Banos overall grows in the future (and the downtown remains the same size), the level of demand for this kind of space relative to the supply should help in reducing vacancies and improving the retail environment in the area.

Outside the Trade Area, significant cumulative impacts would only be related to major directly competitive projects; the definition of the Trade Area itself takes these into account, assuming a Walmart in Patterson is built along with additional Walmarts or expansions in Ceres, Fresno, and elsewhere.

³⁰ Calls to other planning agencies covering the Trade Area (Gustine, Dos Palos, and unincorporated Merced County) indicated no additional reasonably foreseeable planned and proposed retail projects.

Table 19 presents an estimate of the impact of this additional planned retail cumulative with the Proposed Project. In 2012, it is estimated that there would be a nine percent decline in sales in existing outlets. There would be a two percent decline in 2014, and a net increase from baseline levels of five percent in 2016. Thus even if the decline in 2012 led to increased vacancies short-term (and a loss of nine percent on an average basis would not necessarily cause vacancies), within a few years the overall demand would be such that this vacant space should be re-absorbed.

Table 19: Cumulative Sales Impacts

Pipeline Space by Retail Center		Estimated 2012	Estimated 2014	Estimated 2016	Line #
Proposed Project Sales (Supercenter +)	(a)	\$50,700,000	\$50,700,000	\$50,700,000	1
\$ Change in Sales for Existing	(b)	(\$14,730,000)	(\$13,030,000)	(\$11,230,000)	2
Sales in Additional Projects					
		Square Feet	Sales per SF		
Stonecreek Plaza		66,416 (c)	\$284 (d)	\$18,900,000	3
Ortigalita Plaza		60,688 (c)	\$284 (d)	\$17,200,000	4
Other		20,725 (c)	\$284 (d)	\$5,900,000	5
Total Sales in Additional Proposed Projects		\$42,000,000	\$42,000,000	\$42,000,000	6
Less Leakages	(e)	(\$113,200,000)	(\$119,600,000)	(\$126,300,000)	7
Capture of Leakage		20% (f)	(\$22,640,000)	(\$23,920,000)	8
Sales fr Outside Trade Area		10%	(\$4,200,000)	(\$4,200,000)	9
Capture for Additional Proposed Projects from Trade Area Total	(g)	(\$15,160,000)	(\$13,880,000)	(\$12,540,000)	10
Sale in Existing Outlets	(h)	\$351,200,000	\$371,300,000	\$392,300,000	11
Net Change for Existing Outlets in Given Year	(i)	(\$29,890,000)	(\$26,910,000)	(\$23,770,000)	12
Estimated Baseline 2008 Sales in Trade Area Existing Stores	(j)	\$351,200,000	\$351,200,000	\$351,200,000	13
Change from Growth	(k)	\$0	\$20,100,000	\$41,100,000	14
Net Change from Existing	(l)	(\$29,890,000)	(\$6,810,000)	\$17,330,000	15
% Capture of Existing Trade Area Sales by All Proposed Projects	(m)	-9%	-2%	5%	16

All sales estimates in 2007 dollars, rounded to nearest hundred thousand dollars.

(a) From Table 15.

(b) From Table 18.

(c) From Appendix H.

(d) Based on the median sales per square foot of super community/community shopping centers from *Dollars & Cents of Shopping Centers/the SCORE 2008*, published by ULI/ICSC.

(e) From Table 16.

(f) Assumed that these projects will fill additional "gaps" in the retail mix in the Trade Area, and thus capture a portion of the leakage over and above the Proposed Project.

(g) Lines 6, 8, and 9

(h) From Table 18. This represents sales potential in existing outlets in given year without any proposed projects in place.

(i) Lines 2 and 10.

(j) From Table 18.

(k) Line 11 less line 13

(l) Lines 12 and 14.

(m) Line 16 divided by line 13.

Source: Bay Area Economics, 2008, based on information from the City of Los Banos, CA State Board of Equalization, 2000 U.S. Census, 2002 Census of Retail Trade, State Department of Finance, Wal-Mart Annual Reports, Trade Dimensions, Urban Land Institute/International Council of Shopping Centers, and Zip Code and County Business Patterns.

Potential for Re-tenanting of Vacant Retail Spaces

Given the potential for at least short-term retail vacancies as stated above, it is important to assess the overall potential for re-tenanting of these vacancies. First, however, it is important to note that for the retail real estate market, existing retail space may be vacated due to functional obsolescence or the general cycle of retail closures and openings over time. For instance, until recently there has been a long-term trend in the supermarket industry toward larger stores and consolidation, with older smaller stores reused by “second generation” tenants such as dollar stores, furniture outlets, and even non-retail uses such as fitness centers.³¹ Thus, any retail market is likely to have a certain amount of vacant space due to normal turnover and changes in retailing resulting in functional obsolescence, and vacancies alone do not necessarily indicate urban decay or physical deterioration.

Because of ongoing growth in the Trade Area, there are limited numbers of mid- to large size spaces and thus limited experience with re-tenanting of these kinds of spaces. Due to this lack of a track record in Los Banos and the Trade Area, the following analysis provides examples from other trade areas. Several of the examples are from Tracy, which underwent the transformation from small town to larger city capable of supporting its own region-serving retail beginning in the 1990s. As Tracy expanded, some of the smaller supermarkets and other spaces in older retail centers were replaced by larger, more modern supermarkets and other retail. The Proposed Project would represent the continuation of a similar transformation in Los Banos, as the city and surrounding areas has reached and surpassed the “critical mass” required to support larger region-serving uses such as Target, Lowe’s and Walmart.

In Tracy, vacant spaces that are functionally obsolete as modern full-service supermarkets have been reused by a variety of tenants, including smaller new food store tenants and non-retail uses (see Table 20). In some cases spaces have been subdivided. One center, the Westgate Plaza, saw turnover for two major tenants in short order. This center lost both its grocery anchor, Save Mart, and its drug anchor, Longs, several years ago. The Longs (now CVS) relocated to the Regency Center with the new Safeway, and the Save Mart took over the vacated former Safeway space on 11th Street across from the Regency Center. In Westgate Plaza, a 99 Cent Store occupies the former Save Mart. The vacated Longs space took over three years to fully re-tenant, with Autozone occupying approximately one-third of the space and Smart & Final occupying the remainder. During the three-year period where at least some portion of the former Longs space remained vacant, the property was maintained and kept from physical decline as the owner sought new tenants.

Elsewhere in Tracy, several smaller older supermarkets have been reused, either as supermarkets or “second generation” uses including an off-price supermarket, auto parts stores, a furniture store, and a gym. A vacated Kmart was subdivided, with parts now occupied by Big Lots and Ace Hardware.

³¹ More recently, niche grocery stores such as Trader Joe’s, Fresh & Easy, and ethnic supermarkets have started to occupy smaller spaces that are either new or that have been vacated by supermarket chain stores.

Former Store	Closing Date (a)	Current Tenants	Location
Centromart	Early 1990s	Grocery Outlet	11th St & Tracy Blvd.
Safeway	mid 1980s	Brake Masters Grand Auto Parts	12th St & Tracy Blvd.
Don Quick Market	1989	World Gym	East St. & Grant Line Rd.
Lucky	1997	Tracy Furniture	Clover & Tracy Blvd.
Savemart	2003	99 Cent Store	11th St & Lincoln Blvd.
Safeway	2002	Save Mart	1801 West 11th St
Kmart	1997	Ace Hardware Big Lots	2681 North Tracy Blvd

(a) Closure dates are approximate

Sources: City of Tracy; Bay Area Economics, 2009.

Re-tenanting examples are not limited to Tracy, however. Mi Pueblo Food Market, an ethnic chain currently in expansion mode, has taken over a vacant Save Mart space in Atwater;³² Vallarta Supermarkets, an expanding Latino-oriented chain, has re-tenanted shuttered supermarkets in Fresno and Porterville, reusing a closed Save Mart and Vons in Fresno and a long-closed Save Mart in Porterville. Vallarta Supermarkets reports 27 stores in six California counties currently, with plans for approximately three new stores per year over the next two decades.³³

A closed Grocery Outlet in Lodi, which was probably already a re-use of an older small supermarket space, was replaced by a Smart & Final. As some chains enter bankruptcy in the current economic climate, other chains take the opportunity to re-tenant their spaces to expand into additional markets; Kohl's is taking over some of the vacated Mervyn's stores, including spaces in Porterville, Lodi, and Ukiah.

There are also potential re-tenanting opportunities other than supermarkets. As occurred for one older space in Tracy, dollar stores are one example of a second-generation tenant for functionally obsolete grocery store spaces. Dollar stores, which provide bargain shopping, show continued

³² "Grocery store chain setting up shop in long-vacant building," Carol Reiter, Merced Sun-Star, February 9, 2010, <http://www.mercedsunstar.com/2010/02/09/1304244/grocery-store-chain-setting-up.html>.

³³ Vallarta Supermarket website history page, <http://www.vallartasupermarket.com/index.php?en/history>.

success and growth even in the current economy.³⁴ These second-tier uses keep the property leased and help prevent a decline into urban decay and physical deterioration.

These re-tenanting examples show that older spaces can be recycled in a market which is undergoing a transformation from predominantly smaller local serving retail to larger regional and local-serving facilities, and that even larger spaces can be re-tenanted, especially in a growing market with increasing demand across all retail sectors. Given the projected growth in the Trade Area and consequent support for additional retail space due to recovery to baseline sales levels and above by 2016 or earlier as estimated and shown in Tables 18 and 19 above, this provides substantial evidence that any store closures and vacancies resulting from the Proposed Project would not necessarily be long term. Furthermore, as demonstrated by the Proposed Project, Los Banos has surpassed the “critical mass” to attract more region-serving retail outlets, and while the quantitative analysis conservatively avoids assuming any increased capture of this leakage in existing outlets, vacant spaces may be re-tenanted by merchants (e.g., apparel outlets) seeking to capture local resident expenditures currently going to Turlock, Merced, Modesto, and elsewhere outside the Trade Area.

Findings Regarding Urban Decay

As stated in the Introduction to this report, urban decay depends on a causal chain as follows:

- The project results in an economic impact so severe that stores might close as a result;
- Buildings and/or properties, rather than being reused within a reasonable time, would remain vacant; and
- Such vacancies would cause the buildings and/or properties to deteriorate, and lead to the decline of the associated or nearby real estate.

The analysis here estimates that even the first link in this chain, store closure, would not necessarily result from the Proposed Project alone or cumulatively, although the cumulative losses reach the point where this could be considered a possibility. Despite the current economic downturn, though, long-term demographic projections indicate that at some point in the next few years following economic recovery, Los Banos should show renewed growth. The analysis here has conservatively estimated zero growth between 2008 and 2012, allowing ample time for economic recovery. With expected growth subsequent to 2012, Trade Area retail expenditures should increase such that by 2014, even with the Proposed Project in place, existing retailers should see total sales recover to baseline levels and increase marginally; cumulatively, losses would be minimal. By 2016, even under a cumulative scenario, overall retail sales at existing outlets are estimated to recover to slightly above baseline levels. Thus, even under a cumulative scenario, the Proposed Project should not result in an increase in vacancy in the Trade Area, with

³⁴ For instance, see “Family Dollar Stores Q3 Comps Up 6.2%,” RTT News, June 4, 2009, <http://www.rttnews.com/ArticleView.aspx?Id=970067&SMap=1>, accessed June 10, 2009, or “Dollar General profit zooms as shoppers seek value,” Reuters, June 2, 2009, <http://www.reuters.com/article/bondsNews/idUSN0250344420090602>, accessed June 10, 2009.

In the current economy, some of these second-tier uses, which represent bargain shopping, show continued success and growth.

any resulting vacant buildings or properties re-tenanted within a reasonable time, thus breaking the causal chain leading to deterioration and urban decay. While there are retail nodes within the City that currently have high vacancies, these are existing conditions not causally related to the Proposed Project. In fact, as the Proposed Project assists in keeping shoppers in the City who would otherwise venture elsewhere, it may provide stimulus for these vacant spaces to capture additional leakages and thus reduce the overall vacancy rate from current levels. As a result, no significant urban decay impact in the Trade Area is expected as a result of the Proposed Project either alone or cumulatively. Most shoppers for the Proposed Project will come from the Trade Area, so impacts in other areas beyond will be diffused among many retail outlets such that no retail outlet could be determined to be at risk of long-term closure from the Proposed Project.

APPENDICES

Appendix A: Walmart Internal Layout and Estimate of Gross Equivalent Supermarket Space

<u>Department Plan</u>	<u>Existing Square Footage</u>	<u>Proposed Expansion</u>	<u>Proposed Expansion w/ Buffer</u>	<u>Analyzed Square Footage</u>
General Merchandise Sales Area	79,563	10,490	10,805	90,368
Grocery Sales Area	-	34,302	35,341	35,341
Grocery Support Area	-	11,440	11,783	11,783
Stockroom/Receiving Area	9,391	8,406	8,658	18,049
Ancillary Areas	8,679	1,899	1,956	10,635
Food Tenant	1,352	735	757	2,109
Outdoor Garden Center	5,353	-	-	5,353
Tire and Lube Express	5,170	-	-	5,170
TOTAL	109,508	67,272	69,300	178,808
<u>Estimate of Gross Equivalent Supermarket Space</u>				
Net Grocery Area				47,124
Assigned Stockroom/Ancillary Area				8,064
Gross Supermarket Equivalent Area				55,188
Adjusted Gross Supermarket Area, to Nearest 1,000 SF				55,000

Note: This is an estimate. Actual square footage may vary somewhat from this estimate.

In order to allow for possible modifications of the site plan, a total store size after expansion of 178,808 square feet is assumed. The additional buffer space has been apportioned among the new components on a proportional basis at approximately 3% per component. Stockroom and ancillary space has been allocated based on supermarket-equivalent portion of combined general merchandise/supermarket sales area.

Sources: CEI Engineering Associates, Inc.; BAE

Appendix B: Unemployment and Labor Force Trends in Civilian Labor Force

	Los Banos				Merced County			
	Labor Force (a)	Employment	Unemployment	Unemployment Rate	Labor Force (a)	Employment	Unemployment	Unemployment Rate
2000	11,200	10,100	1,100	10.1%	90,300	81,600	8,700	9.6%
2001	11,400	10,200	1,200	10.7%	91,800	82,500	9,300	10.1%
2002	12,000	10,600	1,400	11.6%	96,300	85,700	10,600	11.0%
2003	12,200	10,700	1,500	12.2%	97,600	86,300	11,300	11.5%
2004	12,300	10,900	1,400	11.5%	98,500	87,700	10,800	11.0%
2005	12,400	11,100	1,300	10.6%	99,800	89,800	10,000	10.1%
2006	12,400	11,200	1,200	10.0%	99,500	90,100	9,400	9.5%
2007	12,800	11,400	1,400	10.7%	102,100	91,700	10,400	10.1%
Oct. 2008	13,500	11,800	1,700	12.3%	108,100	95,500	12,600	11.7%
<u>Change, 2000-2007</u>								
Number	1,600	1,300	300		11,800	10,100	1,700	
Annual Average	1.9%	1.7%	3.5%		1.8%	1.7%	2.6%	

(a) Civilian Labor Force refers to workers by place of residence.

Sums may not equal parts due to independent rounding. Data represent annual averages of monthly employment data. Based on March 2007 benchmark.

Sources: California Employment Development Department; BAE, 2008.

Appendix C: Retail Sales Trends, 1997 to 2007

Appendix C-1: Los Banos Retail Sales Trends

Sales in 2007 \$000 (a) (b) (c)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$1,789	\$1,778	\$1,673	\$1,719	\$1,797	\$1,852	\$2,013	\$2,302	\$2,385	\$2,405	\$2,173
General Merchandise Stores (d)	\$46,275	\$50,773	\$55,798	\$64,188	\$71,333	\$74,897	\$76,504	\$78,891	\$83,423	\$83,303	\$80,090
Food Stores (e)	\$41,115	\$42,496	\$49,868	\$55,987	\$55,322	\$57,114	\$62,950	\$68,199	\$75,121	\$78,780	\$72,189
Eating and Drinking Places	\$17,595	\$19,381	\$20,185	\$22,307	\$24,151	\$25,917	\$27,928	\$31,020	\$32,964	\$34,217	\$35,519
Home Furnishings and Appliances	\$1,884	\$2,128	\$2,553	\$2,278	\$1,734	\$2,100	\$2,525	\$2,663	\$2,901	\$2,624	\$2,559
Building Materials and Farm Implements	\$5,335	\$4,948	\$7,446	\$7,772	\$7,745	\$8,809	\$9,280	\$10,369	\$12,539	\$17,336	\$32,980
Auto Dealers and Auto Supplies	\$24,398	\$27,072	\$29,599	\$31,424	\$32,534	\$33,709	\$37,466	\$40,843	\$45,015	\$37,704	\$38,660
Service Stations	\$17,000	\$17,773	\$20,179	\$24,722	\$25,110	\$25,066	\$32,706	\$36,777	\$41,605	\$48,938	\$61,334
Other Retail Stores	\$10,547	\$11,734	\$12,367	\$13,492	\$13,261	\$12,480	\$12,370	\$13,453	\$14,738	\$16,949	\$18,839
Retail Stores Total	\$165,938	\$178,084	\$199,668	\$223,889	\$232,986	\$241,943	\$263,745	\$284,516	\$310,691	\$322,256	\$344,343

Sales per Capita in 2007 \$ (f)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$81	\$77	\$70	\$66	\$66	\$65	\$68	\$75	\$74	\$71	\$62
General Merchandise Stores	\$2,092	\$2,207	\$2,318	\$2,481	\$2,607	\$2,634	\$2,602	\$2,562	\$2,585	\$2,456	\$2,285
Food Stores	\$1,859	\$1,847	\$2,072	\$2,164	\$2,021	\$2,009	\$2,141	\$2,215	\$2,328	\$2,322	\$2,060
Eating and Drinking Places	\$795	\$843	\$839	\$862	\$882	\$912	\$950	\$1,007	\$1,022	\$1,009	\$1,014
Home Furnishings and Appliances	\$85	\$93	\$106	\$88	\$63	\$74	\$86	\$86	\$90	\$77	\$73
Building Materials and Farm Implements	\$241	\$215	\$309	\$300	\$283	\$310	\$316	\$337	\$389	\$511	\$941
Auto Dealers and Auto Supplies	\$1,103	\$1,177	\$1,230	\$1,215	\$1,189	\$1,186	\$1,274	\$1,326	\$1,395	\$1,111	\$1,103
Service Stations	\$768	\$773	\$838	\$956	\$918	\$882	\$1,112	\$1,194	\$1,289	\$1,443	\$1,750
Other Retail Stores	\$477	\$510	\$514	\$522	\$485	\$439	\$421	\$437	\$457	\$500	\$538
Retail Stores Total	\$7,501	\$7,742	\$8,296	\$8,655	\$8,513	\$8,510	\$8,971	\$9,239	\$9,628	\$9,500	\$9,826

Population	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	22,121	23,002	24,069	25,869	27,367	28,431	29,401	30,794	32,268	33,923	35,044

(a) Retail sales have been adjusted to 2007 dollars based on the Taxable Sales Deflators calculated by the State Board of Equalization (SBOE). At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons from previous years should be made with caution.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A '#' sign indicates data suppressed to preserve confidentiality due to four or fewer outlets or sales of more than 80% of the category in one store. Suppressed sales have been combined with Other Retail Stores.

(d) General merchandise store taxable sales have been adjusted to estimate total taxable sales based on a statewide factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix E. Because of the changes in the ratio between 1997 and 2002, the ratio was changed at an even annual rate each set of data points. Years after 2002 at 2002 ratio.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gen Merch Store Adjustment Factor =	79.8%	79.8%	78.9%	78.0%	77.1%	76.2%	75.4%	75.4%	75.4%	75.4%	75.4%

(e) Food store taxable sales have been adjusted to estimate total taxable sales based on a factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix D. Because of the changes in the ratio between 1997 and 2002, the ratio was changed at an even annual rate between the two years. Years after 2002 at 2002 ratio.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Food Store Adjustment Factor =	33.0%	33.3%	33.6%	33.9%	34.2%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%

(f) Per capita sales calculated based on State Board of Equalization reported sales and annual Department of Finance population estimates benchmarked to the decennial Census.

Sources: State Board of Equalization; 2000 U.S. Census; 1997 and 2002 Census of Retail Trade; State Department of Finance; Bay Area Economics, 2008.

Appendix C-2: City of Merced Retail Sales Trends

Sales in 2007 \$000 (a) (b) (c)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$15,083	\$17,968	\$17,501	\$16,978	\$17,631	\$19,668	\$20,841	\$22,793	\$25,607	\$25,349	\$26,535
General Merchandise Stores (d)	\$233,247	\$244,744	\$262,638	\$283,610	\$297,733	\$309,906	\$319,331	\$323,967	\$336,689	\$350,626	\$346,565
Food Stores (e)	\$119,860	\$119,283	\$128,028	\$135,938	\$138,267	\$138,496	\$135,492	\$135,190	\$145,570	\$147,793	\$150,833
Eating and Drinking Places	\$54,298	\$57,631	\$62,268	\$64,391	\$69,452	\$73,568	\$76,960	\$84,977	\$89,216	\$91,314	\$92,478
Home Furnishings and Appliances	\$17,972	\$20,160	\$22,061	\$24,437	\$23,870	\$27,071	\$26,369	\$26,739	\$29,057	\$30,042	\$26,820
Building Materials and Farm Implements	\$34,460	\$37,284	\$50,978	\$59,550	\$69,346	\$74,395	\$86,598	\$111,275	\$117,530	\$117,310	\$102,144
Auto Dealers and Auto Supplies	\$135,352	\$154,049	\$172,310	\$185,392	\$212,349	\$235,379	\$241,827	\$248,500	\$266,470	\$233,191	\$219,423
Service Stations	\$42,777	\$38,537	\$41,898	\$46,419	\$45,464	\$45,482	\$56,825	\$63,905	\$73,223	\$74,932	\$73,670
Other Retail Stores	\$57,862	\$63,913	\$71,467	\$75,806	\$84,393	\$88,432	\$98,123	\$110,790	\$116,630	\$109,086	\$102,730
Retail Stores Total	\$710,912	\$753,570	\$829,148	\$892,522	\$958,506	\$1,012,397	\$1,062,366	\$1,128,137	\$1,199,994	\$1,179,642	\$1,141,198

Sales per Capita in 2007 \$ (f)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$245	\$289	\$278	\$266	\$273	\$295	\$306	\$325	\$349	\$335	\$334
General Merchandise Stores	\$3,794	\$3,940	\$4,171	\$4,439	\$4,604	\$4,649	\$4,682	\$4,616	\$4,590	\$4,640	\$4,366
Food Stores	\$1,949	\$1,920	\$2,033	\$2,128	\$2,138	\$2,078	\$1,986	\$1,926	\$1,984	\$1,956	\$1,900
Eating and Drinking Places	\$883	\$928	\$989	\$1,008	\$1,074	\$1,104	\$1,128	\$1,211	\$1,216	\$1,208	\$1,165
Home Furnishings and Appliances	\$292	\$325	\$350	\$382	\$369	\$406	\$387	\$381	\$396	\$398	\$338
Building Materials and Farm Implements	\$560	\$600	\$810	\$932	\$1,072	\$1,116	\$1,270	\$1,586	\$1,602	\$1,552	\$1,287
Auto Dealers and Auto Supplies	\$2,201	\$2,480	\$2,736	\$2,902	\$3,284	\$3,531	\$3,545	\$3,541	\$3,632	\$3,086	\$2,764
Service Stations	\$696	\$620	\$665	\$727	\$703	\$682	\$833	\$911	\$998	\$992	\$928
Other Retail Stores	\$941	\$1,029	\$1,135	\$1,186	\$1,305	\$1,327	\$1,439	\$1,579	\$1,590	\$1,444	\$1,294
Retail Stores Total	\$11,562	\$12,131	\$13,168	\$13,969	\$14,822	\$15,188	\$15,575	\$16,075	\$16,358	\$15,611	\$14,376

Population	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	61,485	62,120	62,969	63,893	64,668	66,657	68,208	70,180	73,358	75,564	79,381

(a) Retail sales have been adjusted to 2007 dollars based on the Taxable Sales Deflators calculated by the State Board of Equalization (SBOE). At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons from previous years should be made with caution.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A '#' sign indicates data suppressed to preserve confidentiality due to four or fewer outlets or sales of more than 80% of the category in one store. Suppressed sales have been combined with Other Retail Stores.

(d) General merchandise store taxable sales have been adjusted to estimate total taxable sales based on a city-level factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix E. Since 1997 data not available, 2002 county ratios have been used for entire period. Years after 2002 at 2002 ratio.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gen Merch Store Adjustment Factor =	69.5%	69.5%	69.5%	69.5%	69.5%	69.5%	69.5%	69.5%	69.5%	69.5%	69.5%

(e) Food store taxable sales have been adjusted to estimate total taxable sales based on a factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix D. Because of the changes in the ratio between 1997 and 2002, the ratio was changed at an even annual rate between the two years. Years after 2002 at 2002 ratio.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Food Store Adjustment Factor =	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%

(f) Per capita sales calculated based on State Board of Equalization reported sales and annual Department of Finance population estimates benchmarked to the decennial Census.

Sources: State Board of Equalization; 2000 U.S. Census; 1997 and 2002 Census of Retail Trade; State Department of Finance; Bay Area Economics, 2008.

Appendix C-3: Merced County Retail Sales Trends

Sales in 2007 \$000 (a) (b) (c)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$19,340	\$22,493	\$22,385	\$22,282	\$23,687	\$26,018	\$27,719	\$30,031	\$33,309	\$33,558	\$34,807
General Merchandise Stores (d)	\$311,386	\$329,055	\$354,886	\$385,702	\$409,327	\$428,083	\$440,089	\$446,303	\$467,480	\$482,006	\$474,965
Food Stores (e)	\$238,166	\$233,904	\$260,365	\$285,731	\$321,967	\$293,302	\$312,612	\$327,697	\$359,059	\$372,307	\$374,788
Eating and Drinking Places	\$102,044	\$110,453	\$118,974	\$125,477	\$134,510	\$144,463	\$152,075	\$164,399	\$173,440	\$181,247	\$185,672
Home Furnishings and Appliances	\$24,539	\$27,258	\$29,633	\$33,081	\$33,144	\$38,884	\$40,809	\$43,248	\$47,173	\$47,105	\$42,632
Building Materials and Farm Implements	\$100,132	\$100,838	\$113,892	\$120,415	\$131,622	\$143,617	\$160,641	\$199,826	\$220,355	\$215,278	\$174,419
Auto Dealers and Auto Supplies	\$183,116	\$206,213	\$227,550	\$241,821	\$276,202	\$304,614	\$316,514	\$327,215	\$351,668	\$307,940	\$298,534
Service Stations	\$131,384	\$128,780	\$153,043	\$176,238	\$174,085	\$186,532	\$228,344	\$285,013	\$331,139	\$354,693	\$381,887
Other Retail Stores	\$119,398	\$131,570	\$135,762	\$148,519	\$161,766	\$161,053	\$181,915	\$193,431	\$208,165	\$209,194	\$236,883
Retail Stores Total	\$1,229,504	\$1,290,563	\$1,416,491	\$1,539,266	\$1,666,311	\$1,726,566	\$1,860,718	\$2,017,163	\$2,191,788	\$2,203,326	\$2,204,588

Sales per Capita in 2007 \$ (f)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$97	\$111	\$109	\$106	\$110	\$118	\$122	\$129	\$139	\$137	\$139
General Merchandise Stores	\$1,556	\$1,620	\$1,724	\$1,832	\$1,908	\$1,938	\$1,938	\$1,912	\$1,953	\$1,966	\$1,897
Food Stores	\$1,190	\$1,151	\$1,265	\$1,357	\$1,501	\$1,328	\$1,376	\$1,404	\$1,500	\$1,518	\$1,497
Eating and Drinking Places	\$510	\$544	\$578	\$596	\$627	\$654	\$670	\$704	\$725	\$739	\$742
Home Furnishings and Appliances	\$123	\$134	\$144	\$157	\$155	\$176	\$180	\$185	\$197	\$192	\$170
Building Materials and Farm Implements	\$500	\$496	\$553	\$572	\$614	\$650	\$707	\$856	\$921	\$878	\$697
Auto Dealers and Auto Supplies	\$915	\$1,015	\$1,105	\$1,149	\$1,288	\$1,379	\$1,394	\$1,402	\$1,469	\$1,256	\$1,192
Service Stations	\$657	\$634	\$743	\$837	\$812	\$845	\$1,005	\$1,221	\$1,384	\$1,447	\$1,525
Other Retail Stores	\$597	\$648	\$659	\$705	\$754	\$729	\$801	\$829	\$870	\$853	\$946
Retail Stores Total	\$6,146	\$6,352	\$6,880	\$7,311	\$7,768	\$7,817	\$8,192	\$8,643	\$9,158	\$8,986	\$8,805

Population	200,064	203,174	205,892	210,554	214,517	220,867	227,132	233,393	239,343	245,186	250,380
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(a) Retail sales have been adjusted to 2007 dollars based on the Taxable Sales Deflators calculated by the State Board of Equalization (SBOE). At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons from previous years should be made with caution.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A "#" sign indicates data suppressed to preserve confidentiality due to four or fewer outlets or sales of more than 80% of the category in one store. Suppressed sales have been combined with Other Retail Stores.

(d) General merchandise store taxable sales have been adjusted to estimate total taxable sales based on a countywide factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix E. Since 1997 data not available, 2002 county ratios have been used for entire period.

Years after 2002 at 2002 ratio.	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Gen Merch Store Adjustment Factor =	69.2%	69.2%	69.2%	69.2%	69.2%	69.2%	69.2%	69.2%	69.2%	69.2%	69.2%

(e) Food store taxable sales have been adjusted to estimate total taxable sales based on a factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix D. Because of the changes in the ratio between 1997 and 2002, the ratio was changed at an even annual rate between the two years. Years after 2002 at 2002 ratio.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Food Store Adjustment Factor =	42.0%	42.3%	42.6%	43.0%	43.3%	43.6%	43.6%	43.6%	43.6%	43.6%	43.6%

(f) Per capita sales calculated based on State Board of Equalization reported sales and annual Department of Finance population estimates benchmarked to the decennial Census.

Sources: State Board of Equalization; 2000 U.S. Census; 1997 and 2002 Census of Retail Trade; State Department of Finance; Bay Area Economics, 2008.

Appendix C-4: California Retail Sales Trends

Sales in 2007 \$000 (a) (b) (c)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$12,217,388	\$12,632,311	\$12,265,442	\$13,490,974	\$14,076,666	\$14,868,476	\$16,092,072	\$17,700,032	\$19,091,618	\$19,869,075	\$20,756,439
General Merchandise Stores (d)	\$48,503,045	\$52,932,512	\$58,396,019	\$62,411,991	\$65,084,577	\$68,180,592	\$71,101,629	\$74,701,886	\$76,872,780	\$78,789,456	\$79,549,701
Food Stores (e)	\$51,672,975	\$53,539,034	\$57,158,584	\$60,426,803	\$62,445,230	\$63,847,217	\$65,402,170	\$65,783,723	\$68,525,859	\$69,641,439	\$70,107,537
Eating and Drinking Places	\$29,937,298	\$32,355,141	\$34,742,972	\$37,238,221	\$38,743,397	\$40,357,900	\$42,456,848	\$45,170,925	\$47,354,126	\$49,327,877	\$51,279,055
Home Furnishings and Appliances	\$10,206,855	\$11,344,707	\$12,820,525	\$14,273,854	\$14,017,505	\$14,819,817	\$16,012,042	\$17,124,068	\$17,741,357	\$17,418,216	\$17,014,253
Building Materials and Farm Implements	\$18,644,309	\$20,851,251	\$23,820,442	\$26,047,959	\$27,821,467	\$29,753,753	\$32,538,574	\$38,756,917	\$40,461,813	\$39,891,164	\$34,877,156
Auto Dealers and Auto Supplies	\$40,286,366	\$45,660,275	\$52,516,644	\$59,569,860	\$63,899,979	\$67,639,153	\$71,082,246	\$73,869,639	\$75,094,052	\$71,717,966	\$71,444,617
Service Stations	\$20,469,103	\$18,683,608	\$21,748,160	\$26,472,110	\$25,890,870	\$25,359,830	\$29,380,397	\$34,194,834	\$39,348,700	\$43,666,878	\$44,799,384
Other Retail Stores	\$42,856,424	\$46,399,584	\$51,746,796	\$56,935,543	\$55,209,209	\$55,384,192	\$57,737,778	\$61,700,425	\$64,842,269	\$66,662,198	\$65,799,825
Retail Stores Total	\$274,793,762	\$294,398,423	\$325,215,584	\$356,867,315	\$367,188,899	\$380,210,929	\$401,803,754	\$429,002,448	\$449,332,573	\$456,984,270	\$455,627,966

Sales per Capita in 2007 \$ (f)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	4Q06-3Q07
Apparel Stores	\$379	\$387	\$370	\$398	\$409	\$424	\$451	\$489	\$521	\$535	\$553
General Merchandise Stores	\$1,506	\$1,621	\$1,762	\$1,843	\$1,890	\$1,944	\$1,994	\$2,064	\$2,096	\$2,123	\$2,118
Food Stores	\$1,604	\$1,639	\$1,725	\$1,784	\$1,814	\$1,821	\$1,834	\$1,817	\$1,868	\$1,876	\$1,867
Eating and Drinking Places	\$930	\$991	\$1,048	\$1,099	\$1,125	\$1,151	\$1,191	\$1,248	\$1,291	\$1,329	\$1,365
Home Furnishings and Appliances	\$317	\$347	\$387	\$421	\$407	\$423	\$449	\$473	\$484	\$469	\$453
Building Materials and Farm Implements	\$579	\$638	\$719	\$769	\$808	\$849	\$913	\$1,071	\$1,103	\$1,075	\$929
Auto Dealers and Auto Supplies	\$1,251	\$1,398	\$1,585	\$1,759	\$1,856	\$1,929	\$1,994	\$2,041	\$2,048	\$1,932	\$1,902
Service Stations	\$636	\$572	\$656	\$782	\$752	\$723	\$824	\$945	\$1,073	\$1,177	\$1,193
Other Retail Stores	\$1,331	\$1,421	\$1,561	\$1,681	\$1,603	\$1,580	\$1,619	\$1,704	\$1,768	\$1,796	\$1,752
Retail Stores Total	\$8,532	\$9,015	\$9,813	\$10,535	\$10,664	\$10,843	\$11,270	\$11,851	\$12,252	\$12,313	\$12,131

Population 32,207,869 32,657,877 33,140,771 33,873,086 34,430,970 35,063,959 35,652,700 36,199,342 36,675,346 37,114,598 37,559,440

(a) Retail sales have been adjusted to 2007 dollars based on the Taxable Sales Deflators calculated by the State Board of Equalization (SBOE). At the beginning of 2007, SBOE made some minor changes to their classification system, thus year-to-year comparisons from previous years should be made with caution.

(b) Analysis excludes all non-retail outlets (business and personal services) reporting taxable sales.

(c) A “#” sign indicates data suppressed to preserve confidentiality due to four or fewer outlets or sales of more than 80% of the category in one store. Suppressed sales have been combined with Other Retail Stores.

(d) General merchandise store taxable sales have been adjusted to estimate total taxable sales based on a statewide factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix E. Because of the changes in the ratio between 1997 and 2002, the ratio was changed at an even annual rate each set of data points. Years after 2002 at 2002 ratio.

Gen Merch Store Adjustment Factor = $\frac{1997}{2002}$ 79.8% $\frac{1998}{2002}$ 78.9% $\frac{1999}{2002}$ 78.0% $\frac{2000}{2002}$ 77.1% $\frac{2001}{2002}$ 76.2% $\frac{2002}{2002}$ 75.4% $\frac{2003}{2002}$ 75.4% $\frac{2004}{2002}$ 75.4% $\frac{2005}{2002}$ 75.4% $\frac{2006}{2002}$ 75.4% $\frac{2007}{2002}$ 75.4%

(e) Food store taxable sales have been adjusted to estimate total taxable sales based on a statewide factor derived from a comparison of the Economic Census and SBOE data, based on data in Appendix D. Because of the changes in the ratio between 1997 and 2002, the ratio was changed at an even annual rate between the two years. Years after 2002 at 2002 ratio.

Food Store Adjustment Factor = $\frac{1997}{2002}$ 32.7% $\frac{1998}{2002}$ 32.4% $\frac{1999}{2002}$ 32.2% $\frac{2000}{2002}$ 31.9% $\frac{2001}{2002}$ 31.7% $\frac{2002}{2002}$ 31.5% $\frac{2003}{2002}$ 31.5% $\frac{2004}{2002}$ 31.5% $\frac{2005}{2002}$ 31.5% $\frac{2006}{2002}$ 31.5% $\frac{2007}{2002}$ 31%

(f) Per capita sales calculated based on State Board of Equalization reported sales and annual Department of Finance population estimates benchmarked to the decennial Census.

Sources: State Board of Equalization; 2000 U.S. Census; 1997 and 2002 Census of Retail Trade; State Department of Finance; Bay Area Economics, 2008.

Appendix D: Adjustment Factors for Taxable Food Store Sales

	<u>Los Banos</u>	<u>Merced City</u>	<u>Merced County</u>	<u>State</u>
Total Sales, from 2002 Economic Census (a) (b):				
Food and beverage stores (NAICS 445)	\$53,890	\$130,678	\$276,746	\$60,243,253
Taxable Sales, from State Board of Equalization (a) (c):				
Food Store Taxable Sales	\$18,577	\$42,747	\$120,736	\$18,951,412
Percent Taxable Sales:	34%	33%	44%	31%

	<u>Los Banos</u>	<u>Merced City</u>	<u>Merced County</u>	<u>State</u>
Total Sales, from 1997 Economic Census (a) (b):				
Food and beverage stores (NAICS 445)	\$38,803	\$113,120	\$224,773	\$48,767,273
Taxable Sales, from State Board of Equalization (a) (c):				
Food Store Taxable Sales	\$12,810	\$36,972	\$94,364	\$15,924,286
Percent Taxable Sales:	33%	33%	42%	33%

(a) Sales in \$1,000s.

(b) Sales expressed in uninflated dollars, unlike most other tables.

(c) These are the best matches available for type of store. Because they are not necessarily exact matches, and because the Economic Census and the State Board of Equalization rely on different data gathering methodologies, the percentages calculated here should be seen as general guides rather than hard and fast rules for food stores. Individual stores may vary widely due to product mix and other factors.

Sources: 1997 and 2002 Economic Census; California State Board of Equalization; Bay Area Economics, 2008.

Appendix E: Adjustment Factors for Taxable General Merchandise Store Sales

For 2002:	Los Banos	Merced City	Merced County	State
Total Sales, from Economic Census (a) (b):				
General Merchandise Stores	D	\$246,161	\$309,609	\$46,696,215
Drug Stores	na	\$46,252	\$94,310	\$17,635,808
Total General Merchandise Store Group	na	\$292,413	\$403,919	\$64,332,023
Taxable Sales, from State Board of Equalization (a) (c):				
General Merchandise Stores			\$258,439	\$42,741,257
Drug Stores			\$21,102	\$5,745,634
Total General Merchandise Store Group	\$53,874	\$203,127	\$279,541	\$48,486,891
Percent Taxable Sales:				
General Merchandise Stores			83%	92%
Drug Stores			22%	33%
Total General Merchandise Store Group	na	69%	69%	75%
For 1997:	Los Banos	Merced City	Merced County	State
Total Sales, from Economic Census (a) (b):				
General Merchandise Stores	\$29,706	D	D	\$34,519,458
Drug Stores	na	\$27,180	na	\$11,256,138
Total General Merchandise Store Group	na	\$27,180	na	\$45,775,596
Taxable Sales, from State Board of Equalization (a) (c):				
General Merchandise Stores			\$186,117	\$31,393,390
Drug Stores			\$17,266	\$5,132,455
Total General Merchandise Store Group	\$34,848	\$152,916	\$203,383	\$36,525,845
Percent Taxable Sales:				
General Merchandise Stores				91%
Drug Stores				46%
Total General Merchandise Store Group	na	na	na	80%

(a) Sales in \$1,000s.

(b) Sales expressed in uninflated dollars, unlike most other tables.

(c) These are the best matches available for type of store. Because they are not necessarily exact matches, and because the Economic Census and the State Board of Equalization rely on different data gathering methodologies, the percentages calculated here should be seen as general guides rather than hard and fast rules for each store type. Individual stores may vary widely due to product mix and other factors.

Sources: Census of Retail Trade; California State Board of Equalization; Bay Area Economics, 2008.

Appendix F: Monthly Retail Sales Trends for United States

In millions of dollars

<u>Year</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>Annual Total</u>
2000	\$236,973	\$251,181	\$280,154	\$265,005	\$284,306	\$281,888	\$271,715	\$284,494	\$269,667	\$271,387	\$276,966	\$320,481	\$3,294,217
2001	\$251,059	\$248,078	\$280,749	\$275,160	\$296,459	\$288,475	\$279,803	\$295,561	\$262,645	\$292,443	\$288,211	\$326,934	\$3,385,577
2002	\$256,287	\$253,760	\$285,773	\$285,110	\$300,891	\$289,456	\$296,145	\$308,042	\$273,837	\$288,219	\$291,146	\$337,470	\$3,466,136
2003	\$268,714	\$259,408	\$293,827	\$294,374	\$312,557	\$301,279	\$310,240	\$317,350	\$294,054	\$304,326	\$301,337	\$357,704	\$3,615,170
2004	\$281,463	\$282,445	\$319,107	\$315,278	\$328,499	\$321,151	\$328,025	\$326,280	\$313,444	\$319,639	\$324,067	\$386,918	\$3,846,316
2005	\$292,953	\$294,743	\$338,759	\$335,357	\$345,065	\$350,614	\$351,324	\$355,231	\$332,944	\$335,849	\$343,527	\$405,326	\$4,081,692
2006	\$318,567	\$314,313	\$362,536	\$352,657	\$374,805	\$367,919	\$363,425	\$377,184	\$347,750	\$350,536	\$358,545	\$419,493	\$4,307,730
2007	\$331,239	\$326,042	\$377,547	\$362,087	\$395,495	\$380,587	\$376,319	\$392,108	\$357,452	\$372,495	\$381,344	\$429,953	\$4,482,668
2008	\$346,951	\$348,876	\$378,755	\$375,400	\$405,376	\$385,737	\$391,683	\$390,352	\$357,661	\$357,983	\$346,890		\$4,085,664 (c)

(a)

(b)

Change from Previous Year

<u>Year</u>													
2000-2001	5.9%	-1.2%	0.2%	3.8%	4.3%	2.3%	3.0%	3.9%	-2.6%	7.8%	4.1%	2.0%	2.8%
2001-2002	2.1%	2.3%	1.8%	3.6%	1.5%	0.3%	5.8%	4.2%	4.3%	-1.4%	1.0%	3.2%	2.4%
2002-2003	4.8%	2.2%	2.8%	3.2%	3.9%	4.1%	4.8%	3.0%	7.4%	5.6%	3.5%	6.0%	4.3%
2003-2004	4.7%	8.9%	8.6%	7.1%	5.1%	6.6%	5.7%	2.8%	6.6%	5.0%	7.5%	8.2%	6.4%
2004-2005	4.1%	4.4%	6.2%	6.4%	5.0%	9.2%	7.1%	8.9%	6.2%	5.1%	6.0%	4.8%	6.1%
2005-2006	8.7%	6.6%	7.0%	5.2%	8.6%	4.9%	3.4%	6.2%	4.4%	4.4%	4.4%	3.5%	5.5%
2006-2007	4.0%	3.7%	4.1%	2.7%	5.5%	3.4%	3.5%	4.0%	2.8%	6.3%	6.4%	2.5%	4.1%
2007-2008	4.7%	7.0%	0.3%	3.7%	2.5%	1.4%	4.1%	-0.4%	0.1%	-3.9%	-9.0%		0.8% (c)

Includes Retail and Food Services. Dollars not inflation-adjusted. Data not adjusted for seasonal or other factors. Estimates are shown in millions of dollars and are based on data from the Monthly Retail Trade Survey, Annual Retail Trade Survey, and administrative records.

(a) Preliminary estimate.

(b) Advance estimate. Advance estimates are based on early reports obtained from a small sample of firms selected from the larger Monthly Retail Trade Survey (MRTS) sample.

(c) Year-to-date total. Change from 2007 based on January through November only.

Sources: Monthly Retail Trade Survey; Advance Monthly Sales for Retail and Food Services, U.S. Census.

Appendix G: Retail Sales in Benchmark Counties for Leakage Model

	Fresno	Kern	Kings	Merced	San Joaquin	Stanislaus	Tulare	Combined Benchmark Area	California
2006 Sales in 2007 \$000 (a) (b)									
Apparel Stores	\$405,787	\$231,622	\$54,838	\$64,935	\$299,940	\$248,835	\$176,536	\$1,482,493	\$25,683,758
General Merchandise Stores	\$2,062,483	\$1,576,463	\$259,605	\$459,315	\$1,593,732	\$1,319,210	\$1,007,243	\$8,278,052	\$77,332,587
Food Stores	\$1,321,208	\$1,322,601	\$190,725	\$349,584	\$1,106,359	\$946,457	\$581,722	\$5,818,656	\$71,240,275
Eating and Drinking Places	\$996,701	\$791,595	\$115,868	\$186,044	\$641,062	\$593,506	\$327,824	\$3,652,600	\$47,799,269
Home Furnishings and Appliances	\$601,370	\$381,631	\$36,459	\$126,322	\$310,034	\$310,087	\$277,606	\$2,043,508	\$25,558,023
Building Materials	\$723,744	\$639,256	\$67,474	\$176,896	\$659,893	\$585,549	\$369,033	\$3,221,844	\$30,866,485
Auto Dealers and Auto Supplies	\$2,786,111	\$2,232,767	\$212,311	\$553,042	\$1,880,264	\$1,543,421	\$884,461	\$10,092,378	\$109,125,711
Service Stations	\$797,881	\$904,472	\$86,903	\$233,266	\$552,109	\$357,718	\$255,964	\$3,188,313	\$23,810,798
Other Retail Stores	\$904,553	\$697,058	\$130,447	\$216,762	\$645,817	\$660,440	\$388,916	\$3,643,994	\$57,530,025
Retail Stores Total	\$10,599,837	\$8,777,464	\$1,154,629	\$2,366,167	\$7,689,212	\$6,565,224	\$4,269,305	\$41,421,838	\$468,946,931

	Fresno	Kern	Kings	Merced	San Joaquin	Stanislaus	Tulare	Combined Benchmark Area	California
2006 Sales per Capita in 2007 \$ (c)									
Apparel Stores	\$444	\$289	\$362	\$259	\$444	\$480	\$414	\$397	\$684
General Merchandise Stores	\$2,254	\$1,969	\$1,712	\$1,834	\$2,359	\$2,542	\$2,360	\$2,214	\$2,059
Food Stores	\$1,444	\$1,652	\$1,258	\$1,396	\$1,638	\$1,824	\$1,363	\$1,556	\$1,897
Eating and Drinking Places	\$1,089	\$989	\$764	\$743	\$949	\$1,144	\$768	\$977	\$1,273
Home Furnishings and Appliances	\$657	\$477	\$240	\$505	\$459	\$598	\$650	\$547	\$680
Building Materials	\$791	\$798	\$445	\$707	\$977	\$1,128	\$865	\$862	\$822
Auto Dealers and Auto Supplies	\$3,045	\$2,789	\$1,400	\$2,209	\$2,784	\$2,974	\$2,072	\$2,699	\$2,905
Service Stations	\$872	\$1,130	\$573	\$932	\$817	\$689	\$600	\$853	\$634
Other Retail Stores	\$989	\$871	\$860	\$866	\$956	\$1,273	\$911	\$975	\$1,532
Retail Stores Total	\$11,586	\$10,962	\$7,616	\$9,450	\$11,384	\$12,651	\$10,003	\$11,079	\$12,485

Population (d)	914,893	800,699	151,607	250,380	675,463	518,938	426,798	3,738,778	37,559,440
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(a) Retail sales have been adjusted to 2007 dollars based on the Taxable Sales Deflators calculated by the State Board of Equalization (SBOE).
 (b) Retail sales have been estimated using Zip Code and County Business Patterns employment data and per-store employee sales data by detailed NAICS code from the 2002 Economic Census. These estimates may vary from SBOE and other sources, and should be considered to have some margin of error. 2006 represents most recent data available at time of analysis. Analysis excludes all non-retail outlets (business and personal services).
 (c) Per capita sales calculated based on estimated sales and annual Department of Finance population estimates benchmarked to the decennial Census.
 (d) Population from DOF Report E-5 for 2008. Uses Jan 1, 2006 number.

Sources: State Department of Finance; U.S. Census of Retail Trade, 2002; Zip Code and County Business Patterns; Bay Area Economics, 2008.

Appendix H: Derivation of Sales per Square Foot Estimate for Restaurants

	Sale per Square Foot		
	Range of Estimate		Midpoint
	Low	High	
Coffee/Juice Bars	\$75	\$150	\$113
Fast Food	\$350	\$750	\$550
Fast Casual	\$300	\$700	\$500
Coffee Shops	\$400	\$600	\$500
Buffet	\$300	\$400	\$350
Family Dining	\$400	\$650	\$525
Dinner House	\$325	\$800	\$563
Average of Midpoints			\$443
Rounded to nearest \$5			\$445

Sources: The HdL Companies 2007 Retail Store Taxable Sales Estimates; BAE, 2008.

Strategic Plan for Innovation Place Network in Los Banos and Merced, California

Recipient and Prepared by:

Merced Community College and
Merced County Economic Development Corporation

Date: July 27, 2009
EDA Award Number: 07 79 06238

**This Report was Prepared under an Award from the
U.S. Department of Commerce
Economic Development Administration.**

This publication was prepared by MCEDCO. The statements, conclusions, and recommendations are those of the authors and do not necessarily reflect the views of the Economic Development Administration.

INNOVATION PLACE NETWORK
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ACKNOWLEDGEMENTS

This study and recommended business model reflects the input of dozens of individuals who singularly and jointly recognize the vital contribution of small business operators and entrepreneurs to the economy. The United States Department of Commerce, Economic Development Administration staff consistently worked with the grant recipient to ensure that the project and study parameters complied with EDA requirements. EDA's support for small business is recognized and optimistically will be sustained.

Staff of Merced Community College including President Dr. Benjamin Duran, Dean Karen Wiens and Director Christopher Vitelli provided direction and an academic overview of training and skills development for business owners. As the grant recipient, Merced College continued to demonstrate a county-wide vision for improving economic conditions. Mr. Vitelli's participation in the site tours helped ensure a broad interpretation of opportunities for communities in Merced County.

Pacific Gas and Electric (PG&E) has notably endorsed small business and incubators in California for decades. PG&E's matching fund contribution enabled the project to commence, and PG&E's representative on MCEDCO helped guide the study team's work.

Economic development staff in both the City of Los Banos (Elaine Post) and city of Merced (Frank Quintero) offered strategic advice on the vision of their communities relative to small business and business incubators and also contributed match funds to leverage EDA resources. Ms. Post is recognized for her participation with the site tours of California business incubators.

MCEDCO gratefully acknowledges the time and informative discussion with staff of the incubators and facilities toured in Fresno, Marina, Watsonville, Santa Clara and San Jose. Details of the tours are included as an appendix to the report.

Special recognition is extended to the National Business Incubator Association (NBIA) whose members and resources were the source for much of this document. Communities seeking to foster small business and entrepreneurs are encouraged to access the NBIA, perhaps the most valuable and informative starting point for establishing business incubators.

ABSTRACT

The cities of Los Banos and Merced, California are pursuing small business and entrepreneurial (SBE) development as a key component of their economic development plans. Entrepreneurial support was prioritized by each in the approved CEDS and plans emphasize commercializing innovation emanating from local educational institutions and expanding vocational skills.

Small business is projected as the source of most new employment and will diversify the local economy, expand the range of local goods and services to support the community, and help recruit new business. SBE programs are recognized as a cost effective community economic development initiatives, particularly important during the current financial crisis affecting the region.

Entrepreneurship and small business formation has a higher probability for success if technical training, counseling and a collaborative exchange of information and experience is available. Business incubators have a proven track record in raising the success rate of small business operations. Expanding small business support programs is critical to maximize the research and innovation

Merced Community College and the cities of Los Banos and Merced collaborated with MCEDCO to leverage resources to establish and expand incubator services in the region. Implementing the Innovation Place Network will help achieve the goal of community prosperity through small business development.

EXECUTIVE SUMMARY

The Innovation Place Network will facilitate new wealth generation from small businesses and entrepreneurs (SBE) with an emphasis on commercializing and marketing innovative technology from Merced College, UC Merced and local business. Small business support is crucial to new employment and wealth generation as larger business interests frequently eliminate the region from the site selection process.

Communities in Merced County are often overlooked or unable to compete for new large scale private sector investment due to inadequate infrastructure and facilities. Rising costs, external competition and a scarcity of sites to accommodate traditional industrial projects necessitates the Merced County region to focus efforts in sectors with a higher probability for realizing new investment and jobs. Dedicating resources to achievable goals and catering to local residents and existing assets will result more quickly in more sustainable business and employment growth.

The cities and county of Merced are aggressively pursuing development of SBE's as a vital component of their economic development strategies. Small business is projected to remain as a major source of new employment and corporate investment, and will quickly help diversify the local economy and expand the ranges of goods and services available to support the community while sustaining existing and recruiting new corporate investment.

The Innovation Place Network will establish comprehensive, full service business incubators in the cities of Los Banos and Merced. Business incubation is a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. These services are usually developed or orchestrated by incubator management and offered both in the business incubator and through a network of contacts.

A business incubator's main goal is to produce successful firms that will "exit" or "graduate" the program financially viable and freestanding. These incubator graduates have the potential to create jobs, revitalize neighborhoods, commercialize new technologies, and strengthen local and national economies. The success and longevity rate for businesses incubator graduates is dramatically higher than the average life span of other start up enterprises across the nation.

Mission Statement

The management and oversight of the Innovation Place Network shall be guided by a mission statement endorsed by its partners. A preliminary statement is suggested:

“Through collaborative input the Innovation Place Network marshals resources to induce community wealth generation and heighten prosperity while diversifying the local and regional economy through the establishment and expansion of small businesses and entrepreneurial activity.”

Goals:

1. Capital investment by SBE's
2. Employment opportunities
3. Increase personal income levels
4. Reduce income and spending leakages
5. Broader array of community amenities

Objectives:

To measure the effectiveness of the Innovation Place Network, tangible objectives for each goal are suggested to be endorsed by the partners.

GOAL: Capital investment by SBE's

- i. Encourage SBE investment and formation
- ii. Increase the number and type (array) of business and professional services available within the community
- iii. Increase variety and local access for consumer goods and services in the cities of Los Banos and Merced
- iv. Commercialize innovation and new or enabling technology
- v. Improve competitiveness of local enterprises through planning and training

GOAL: Employment opportunities

- i. Encourage new employment
- ii. Advocate student graduate retention within community
- iii. Foster skills training and customer service
- iv. Improve workforce productivity
- v. Support higher wages
- vi. Expand benefits and employee services

GOAL: Increase Personal Income

- i. Encourage managerial and entrepreneurial skills
- ii. Improve education and training
- iii. Target value added businesses services

GOAL: Reduce income and spending leakages

- i. Diversify and expand local goods and service providers
- ii. Increase magnitude of sales, use and other tax revenue
- iii. Reduce number of commuter trips
- iv. Promote local shopping “buy local” campaigns

GOAL: Broader array of community amenities

- i. inventory of existing amenities
- ii. Support long-term, coordinated, and collaborative regional economic development initiatives
- iii. Assemble “Catalogue of Opportunities” for expanding and attracting professional and consumer services

Founding Partners and Stakeholders

NBIA considers stakeholders to be any non-staff persons who have a vested interest in the success of an incubation program. This broad definition might include sponsors, service providers, board members, successful entrepreneurs, community leaders, and even community members who would benefit from a strengthened economy. The following excerpts from the NBIA outline possible structures to establish the Innovation Place Network.

Stakeholders can foster an incubator’s success by marketing the program, encouraging promising entrepreneurs to apply for admission, and providing client firms with resources and expertise. “[Developing] stakeholder support, including a resource network that helps the incubation program’s client companies and supports the incubator’s mission and operations” is an industry best practice and integral to a business incubator’s development.

Although the majority of an incubator’s fundamental and enduring stakeholder relationships are formed during the development stage, these relationships require careful nurturing once the incubator is operational. And, of course, new stakeholders might come on board as the incubator matures, requiring additional relationship management.

A healthy relationship between stakeholders and the incubator manager depends on each having appropriate expectations of the time, energy, and other resources invested in the relationship. The time an incubator manager spends on maintaining stakeholder relationships should be on par with the expected benefits. The association should refuse participation of any sponsors or other stakeholders whose motivations are not in the best interest of the Innovation Place Network as identified in its mission statement.

It’s vital for stakeholders to have realistic expectations of what the incubator can accomplish in

a given time frame. Educating stakeholders about the business incubation process and setting realistic goals from the outset are two good strategies for managing expectations. It's better to meet or surpass realistic projections than to make fantastic promises you can't keep and risk losing stakeholder support.

Some stakeholders, such as local politicians, might not be involved in the daily operations of an incubation program. Others, such as service providers and board members, can play an important role in the most important facet of business incubation, client assistance. A service provider network gives clients access to business professionals offering legal, accounting, insurance, financing, and other types of expertise not available from the incubator staff. Board members might participate on client advisory boards or even make investments. This type of close involvement helps them have a better understanding of the business incubation process, which, in turn, makes them better able to promote the program in the community. Taking time to manage relationships with stakeholders and acknowledge the service and support they provide is important to the incubator as well as its client companies. Without the support of stakeholders, the incubator's value to clients diminishes considerably.

The Innovation Place Network demands a collaborative approach to succeed. Each of the noted founding partners have expressed interest in forging sustainable economic development and identified small business growth as a crucial component. Barriers and constraints to small business formation and entrepreneurial initiative can be alleviated with the resources of local, state and federal agencies and many programs already exist to address concerns.

- Congressman Dennis Cardoza, U.S. Congressional District #18
- U.S. Department of Commerce, Economic Development Administration (EDA)
- U.S. Department of Commerce, Small Business Administration (SBA)
- U.S. SBA Small Business Development Centers (SBDC's) – University of California, Merced: Lead SBDC Regional Network (Alliance SBDC)
- U.S. Department of Agriculture (USDA)
- U.S. Housing and Urban Development (HUD)
- State of California, Housing and Community Development (HCD) Community Development Block Programs (CDBG)
- Merced Community College
- City of Los Banos; Los Banos Redevelopment Agency
- City of Merced; Merced Redevelopment Agency
- Pacific, Gas and Electric (PG&E)
- Greater Merced and Los Banos Chambers of Commerce
- Merced county Economic development Corporation (MCEDCO)

Recommended Actions

1. Merced Community College President to meet with City Managers of the cities of Los Banos and Merced to confirm interest and commitment for facilitating small business, entrepreneurs and business incubators .
2. Establish lead agency to facilitate creation Innovation Place Network, a not for profit foundation or corporate overseen by appropriate Board of Directors or Governors or Joint Powers Authority or other entity.

3. Lead agency to identify and solicit founding stakeholders, partners and representatives of interested parties dedicated toward mission statement of Innovation Place Network.
4. Develop short list (3 – 4 each city) of optimum sites and asses each with selection criteria approved by interim board; at least one site in each community shall be a potential redevelopment option of existing facility.
5. Negotiate and secure prospective sites for detailed evaluation (Purchase Agreement; options; Assignment of public property). Site control a requirement for certain grant applications.
6. Identify interim facilities if possible.
7. Identify and apply for grant funding sources (CDBG Planning and Technical Assistance) for preliminary building design/renovation services and pre-development (Phase 1/Phase 2/EIR - NEPA).
8. Address environmental ramifications of proposed sites. NEPA an issue for potential construction funding from federal agencies, CDBG funds, etc.
9. Preliminary building design/renovation.
10. Identify match funds and projected operating revenue/expense to support grant funding applications for construction/renovation.
11. Secure City Council resolutions for funding requests and support for project.
12. Commence grant applications.
13. Commence corporate sponsorship recruitment and fundraising.
14. Preliminary recruitment of tenants (letters of intent) and support services co-tenants.
15. Commence construction/renovations.
16. Focus on optimum sites (negotiation/OPTIONS).
17. Identify match funds/operating revenue.
18. Preliminary Recruitment of tenants; support services.
19. Commence construction/renovation.
20. Open Innovation Place Network Incubators.

Each city has several candidate sites for a business incubator, including the expansion of the current facility in Los Banos. Site location decisions should be made in a timely fashion to enable more comprehensive financial planning and position each community to compete for grant funds, donations and establish revenue stream to repay potential public sector loans. A collaborative implementation strategy is recommended as funding agencies consistently prefer regional initiatives and value partnerships.

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Background

The EDA approved Comprehensive economic Development Strategy (CEDS) for the cities and county of Merced, California identifies small business and entrepreneurial support as a critical component to improve the economic well being of the region, diversify the economy and encourage new corporate investment and jobs. The CEDS listed formation of a network of business support services under the umbrella of "Innovation Place Network" as a priority project for the cities of Los Banos and Merced.

The Innovation Place Network will facilitate new wealth generation from SBE's with an emphasis on commercializing and marketing innovative technology from Merced College and UC Merced. Merced County has long been overlooked or unable to compete for new private sector investment due to inadequate infrastructure and facilities. Focusing efforts and resources on achievable goals and catering to local residents and existing assets will result in more sustainable business and employment growth.

The cities and county of Merced are aggressively pursuing small business and entrepreneurial development (SBE). Small business is projected to continue as a major source of new employment and corporate investment, and will quickly help diversify the local economy and expand the ranges of goods and services available to support the community and recruit new business.

Rising costs, external competition and a scarcity of sites to accommodate traditional industrial projects necessitates that the region focus efforts in sectors with a higher probability for realizing new investment and employment.

A key target is the estimated 30,000 daily commuters who reside in Merced county communities having moved to the area in recent years. Notwithstanding the residential foreclosure crisis and rising unemployment, much of Merced County's workforce still commutes to a job outside of the county.

Encouraging only a small portion of commuters (5%) presumably with managerial or entrepreneurial skills to start a business in the region suggests 1,500 "business start up" prospects. The growing number of unemployed workers suggests another target audience for SBE services as displaced workers seek pursue new options. The commuter figure is likely more than doubled when local employees and residents with similar aspirations, and faculty and researchers at UC Merced are included.

The Merced regional economic development team presents a broad array of small business support services including UC Merced/Alliance SBDC; SCORE; California HCD Microenterprise Assistance through city/county CDBG and RLF programs; and comprehensive SBE technical training and capacity building from MCEDCO. The local economic development professionals in tandem with faculty at Merced College and UC Merced continually advocate small business and entrepreneur activities.

The City of Los Banos and a county revolving loan fund periodically provide access to capital to supplement counseling and planning services. Efforts are also underway through the California Partnership for the San Joaquin Valley to expand access to capital. Private lenders in the area

express support for small business development efforts. In recent months, private lenders have appeared reluctant to place capital, particularly in new ventures, citing national economic strife and an industry in disarray.

The range of services and support planned to be offered through Innovation Place Network reflects the suggestions of the Partnership's work groups to expand professional business support and technical expertise (legal, financial, marketing, venture capital) and develop a network of experts to promote entrepreneurship.

Business incubators are a tremendous asset for fostering SBE's and improve the success rate of small enterprises. The City of Los Banos is the sole city in Merced County with an incubator although the facility's services and amenities would benefit from additional resources. Other entities in Merced County are considering establishing incubators although senior level government support will inevitably be necessary.

Incubators and their graduates play a key role in fostering economic development on a local level, especially in these four ways: 1) providing employment, 2) retooling workforces, 3) increasing local tax bases, and 4) creating economic specializations. According to the NBIA, 84% of incubator graduates (in a survey of NBIA members) remain in their communities and continue to provide a return to investors. Some graduates manage to evolve into much larger, publicly held corporations.

The NBIA also states that since 1980, roughly 500,000 jobs have been created by North American incubators. In 2001 alone, North American incubators helped 35,000 start-up companies that provided full-time jobs for nearly 82,000 workers and generated annual earnings of more than \$7 billion. It is said that, on average, every 50 jobs created by an incubator client generates an additional 25 jobs in the communities it serves (Indiana Business Magazine). In addition, incubators that are publicly supported create jobs at a cost of roughly \$1,100 each, whereas other publicly supported job programs cost more than \$10,000 per job created. This demonstrates the feasibility of incubators as an economic development tool for governments

Entrepreneurship and small business formation has a higher probability for success if technical training, counseling and collaborative exchange of information and experience is available. Business incubators have a proven track record in raising the success rate of small business operations.

A public/private partnership may be appropriate to examine tactics such as underwriting commercial leases as an incentive to new small business and enable private sector construction of a facility. Communities might consider waiving or deferring fees as an "inducement" to trigger more facilities and services for small business.

Expanding small business support programs is critical to maximize the research and innovation underway and expected from UC Merced. Not to be overlooked, faculty at Merced College may be equally inclined to start a business and the hands on approach associated with the community college will expand the range and type of prospective SBE's. The small business outreach program will help alleviate barriers and extend services to a broader market helping more businesses generate new wealth and employment opportunities.

Focusing efforts and resources on achievable goals and catering to local residents and existing assets will result in more sustainable business and employment growth. Targeted new businesses will focus on commercialization of technology and research emanating from UC Merced and encourage management and ownership for individuals learning vocational skills at Merced College. Businesses concentrating on alternative energy and enabling technologies for improved food processing are expected to evolve in the region.

There are many reasons to establish the Innovation Place Network and for operating business incubators. There is a definitive need for job creation in the communities, and nurturing entrepreneurs promotes economic self-sufficiency. Other factors include economic base diversification, transfer of technology from universities and corporations, and sharing venture experiences with new companies by successful entrepreneurs and investors.

Central to any incubation program's existence is its mission, which guides the program's activities and development. The National Business Incubator Association (NBIA) recognizes developing and employing incubator mission statements as an industry best practice, noting the need to *"obtain consensus on a mission that defines the incubator's role in the community and develop a strategic plan containing quantifiable objectives to achieve the program mission."* Based on a feasibility study or business plan, a mission statement serves as a point of reference for creating and achieving goals and staying on task. The mission statement guides the Innovation Place Network activities and will be adopted in written form and easily accessible to staff and board members.

This study proposes preliminary mission statement and guidelines but recognizes that stakeholders, board members, and key staff may modify the document to reflect local vision. It is important that the mission statement is endorsed to help management and the board avoid being led astray by tangential "opportunities." If every member of an incubator's board or staff has a different idea of what the program's mission is, the incubator will never be able to satisfy everyone, and the force of the program will be wasted in nonproductive endeavors. Therefore, it's vital that the final; adopted mission statement be developed by board and staff leadership and approved by the board. The discussions that will lead to its creation provide important opportunities to consider and discard ideas and come to a consensus on the core purpose of the program.

The Innovation Place Network mission statements shall identify criteria evaluate effectiveness. Collected impact data of the incubator will be directly related to the program's mission. This action necessitates consensus and support from stakeholders and sponsors on the mission statement – and how the mission is being achieved.

The Innovation Place Network project coordinates activities and direction from the economic development staff of the cities and from the Merced College staff. This project will complete a comprehensive analysis of existing and potential SBE services and facilities in Merced County, with particular emphasis on Los Banos and Merced. The study reviewed education and training opportunities and identified tactics to link SBE services with Merced College and the University of California, Merced.

Merced County continues to experience high unemployment, poverty, limited healthcare options, and a lesser-skilled workforce. The average income is 30% lower than state or national

average, and the unemployment rate is double. In recent months economic distress has been amplified by the sharply declining housing industry, exacerbated by Merced County leading the nation in foreclosure rates. These factors in tandem with rising housing costs have contributed to significant quality of life challenges.

The region's predominant agricultural economic base is volatile, seasonal and offers limited opportunities for residents to change their standard of living. Other economic distress is heightened by the globalization and out-sourcing of industry, NAFTA, the closure of Castle Airforce Base and most recently by natural disasters such as floods and landslides.

The local area has experienced the loss and employment reduction of food processing plants in recent years such as the Unilever Foods closure of its Merced City facility in 2006 costing the region 500 full time and 200 seasonal employees. Other layoffs attributed to the poor economy are amplifying the problem (Quebecor World, Malibu Boats, Circuit City, Gottchalks, etc.)

The cities of Los Banos and Merced partnered to identify and recruit new opportunities to diversify each of their local economy and generate new employment options, but each had few resources or skills to affect meaningful change.

A significant constraint in the cities has been the lack of resources and facilities to encourage small business formation. Subsequently, both Los Banos and Merced are less able to compete for innovative new investment leading to technology oriented investment and resulting higher wages. Subsequently the cities collaborated on the Innovation Place Network to:

- Heighten the level of awareness of SBE's and provide technical assistance to expand the SBE development capacity of the cities of Los Banos and Merced
- Formulate a business plan and operating model for a network of business incubators
- Review demographic information and inventory SBE services
- Conduct outreach and interviews with target beneficiaries
- Assess and evaluate regional SBE service expertise and resources business services
- Develop an implementation action plan
- Identify funding sources for establishment and sustained operation
- Integrate Federal and State strategic economic development initiatives (Interagency Task Force; California Partnership for the San Joaquin Valley) related to entrepreneurship
- Assess SBE compatible facilities capacity and constraints
- Recommend site options

Theme and Focus

Studies of business incubators identified different approaches to the concept of economic sector focus. Cluster development and competitive assets may induce a concentration of activity in a given sector that respond to the targeted objectives of community leaders.

The consensus of the study committee was to identify a focus them consistent with the economic development strategies of each city, but not to exclude other viable SBE interests if space and resources were available. Sectors identified in local and regional strategic plans

include agribusiness/food processing, alternative energy and fuels and responding to retail and professional services to broaden opportunities for consumers and resources for local business.

In Los Banos city officials have identified encouraging SBE investment in alternative energy and fuels as a goal. The city is currently working with a number of individuals interested in solar energy and biodiesel as well as incorporating biomass generation of energy.

The City of Merced has not stated a specific sector.

The Innovation Place Network should espouse and adopt a principal theme or focus to augment branding and marketing but avoid exclusivity. The incubator will target and prioritize select sectors but pending availability of space, the incubator cannot afford to deny prospective tenants if their business plans reflect positive development in the community.

Size and Amenities

The NBIA's 2006 State of the Business Incubation Industry report suggests there is no one-size-fits-all incubator. Sizes ranged from 1,600 square feet to 215,000 square feet with a vast majority of incubators (61%) less than 40,000 square feet. The preferred size facility for creating a self-sustainable incubator program is reportedly an area that can support itself primarily on rents and fees for services.

As reported on the NBIA web site, incubator researchers David Allen and Eugene Bazan found that a facility can be too large for the local market or too small to cover costs of operations and administration, a truism that remains. The right-size incubator facility adapts to local markets and generates adequate rent to support the important job of providing business assistance and not repairing the building or continually seeking funding.

An important consideration in evaluating a building's potential for use as an incubator or when designing a new one is what percentage of the facility's gross square footage is rentable space. This figure is critical in developing lease rates as revenue generating space is at a premium in a facility that offers many other client services. The size of incubator facility relates not only to the number of clients your program will serve but also the amenities offered which is linked to its financial sustainability.

Potentially the facility may encourage more clients by offering services including videoconferencing, electronic file storage, rack space and servers to host client Web services, advanced security, an Intranet that hosts collaboration software, facilities scheduling software, and links to entrepreneur resources. Each aspect requires support resources and some of these services require very specific equipment.

Renovating an existing structure for use as a business incubator can be a cost-effective alternative to new construction. But selecting an appropriate facility in which to operate is not as simple as finding an empty building to move into. Although a business incubation program is much more than a building, an inappropriate facility can put an otherwise well-planned program in jeopardy. Further, the incubator may be a tool to achieve other viable objectives, such as downtown revitalization.

The size of the IPN facility is influenced by the type and array of services offered and the number of anticipated tenants. The following list outlines the rationale for sizing for administration and management.

- i. Reception/Display Area (Sponsors/Success)
- ii. Mechanical Systems
- iii. Washrooms
- iv. Storage, Supplies – Private
- v. Storage, Supplies, Copier/Printers, Communal Office Equipment
- vi. Conference/Presentation/Meeting Rooms (Large and small)
- vii. Administration Office

Preliminary calculations to accommodate the above uses within a typical office indicate a demand for 1,725 square feet. (<http://www.officefinder.com>).

Individual units for tenants in the incubators visited were usually small, less than a few hundred square feet. Floor area was adequate for one or two individuals, desks and workspace and minimal files. The reasonable demand for tenants in the Los Banos and Merced markets is eight to ten in each community. Based on evaluations the suggested lease area is 2,500 square feet of individual units.

Production and assembly of products for sale/distribution is not expected to be the focus of the Innovation Place Network. Enterprises that have a product for sale shall be encouraged to seek space in an existing structure in a suitable area. These businesses may use Innovation Place services to supplement their production location.

Based on the analysis, the space requirements suggest a building area of minimum 5,000 sq. ft. Further evaluation of prospective tenants may increase the number.

Location and Site Evaluation

The Innovation Place Network shall assess potential sites prioritizing the specific needs of the businesses to assist. Various factors will influence decisions most importantly “Does the building offer all of the amenities the prospective tenants need?” If not, will it be possible and affordable to upgrade the facility to meet those needs? Is it in a good location? Is it big enough? Is it too big? Is there adequate off-street parking? If the answers are no, the facility likely isn’t a good candidate – even if provided by a local organization or government agency at low or no cost.

The Innovation Place Network stakeholders will follow the recommendations of the NBIA and shall assess many factors in determining optimum incubator location, including but not limited to:

NBIA Site Issues

- Don’t let real estate drive the project. In some cases, buildings offered at low cost or free may not suit your prospective clients; don’t have enough leasable square footage to

provide adequate revenues; have hazardous waste or HVAC problems; are in poor locations; or have insufficient parking, loading and freight elevators. These buildings can be white elephants that could sink a program.

- Speaking of location ... it's always important. If the incubator is inaccessible via interstate highways, or has inadequate space for access by semi-trailers, or if it's located in a deteriorated neighborhood or lacks parking, its attractiveness is considerably diminished. Many potential clients will choose at the outset to go somewhere else. It would be hard for your program to become the entrepreneurial focal point for your community if visitors can't easily find you.
- What about configuration – will the building really be configured to meet the needs of your prospective clients? Will it have too many high-bay manufacturing spaces when your clients need more office space? Will it have all laboratory space and no adjoining office spaces appropriate to small businesses? (I have actually seen this in a brand-new building created by an architect who had experience building laboratories but not incubators.)
- Does the building layout promote networking? Are there so many entrances and exits that clients don't ever pass through the reception area? Is attractive space for lunches and meetings provided? Do offices and meeting rooms have windows, and are there hallway areas where entrepreneurs can stop to have impromptu meetings?
- Is there room to grow as your incubation program grows, or are you hemmed in by other buildings, insufficient parking, etc.? It's fine to start in a small space if you need to test the waters, but what about the long run? What if you eventually need 30,000, 50,000 or 100,000 square feet? Can you expand in place, or are you prepared to sell your building and move to a more suitable location?
- Don't forget cost. The size, age and other characteristics of your building can affect your ability to provide high-quality services if the building doesn't provide sufficient revenue. This could affect your clients and your program's reputation in the community. How much space is actually leasable? Is it in the 80 percent to 90 percent range, or do you have huge hallways and reception areas that can't be rented but still have to be supported? Can you operate the building with minimal subsidies, or will it take vast sums to support both the building and your program of services?

The study participants contributed other factors that would aid with preliminary evaluation of buildings and sites. First, a publicly owned facility is preferred due to potential EDA funding requirements; next, participants prefer Lease vs. Build options from the public agency to the Innovation Place Network; a Downtown vs. Suburban location was suggested to encourage core area revitalization, an objective cited in the county CEDS; the site should be proximal to City Hall/Services as City Hall is frequently the first stop for a fledgling enterprise as well as more appropriate for the envisioned "Launching Pad" incubator concept with no or minimal production or assembly capacity; and finally the facility site should be able to accommodate shared resources for clients and the community at large.

Many sites were identified in each community as a starting point for more intensive deliberation. The variety of available structures suggests that renovation may be preferred if the preferred building satisfies the conditions cited by NBIA. The communities of Los Banos and Merced have a large surplus of vacant structures and public perception combined with rational economic analysis influences the idea of avoiding adding to the office inventory.

Merced

- 1) Property Adjacent to Merced College BRC (new – 17,000 sq.ft. lot)
- 2) 414 W. 18th Street (Federal Building – 3,600 sq.ft.)
- 3) N.E. “M” and 18th Streets (Merced Center – 11,000 sq.ft.)
- 4) 330 E. Yosemite Avenue (Millennium Office Complex)
- 5) Airport Business Park (various buildings)
- 6) Steiner Project (Fahrens Business Park)
- 7) “G” Street (El Portal Plaza)
- 8) Travis Credit Union, Olive and M streets

Los Banos

- 1) “H” & 8th Street (Parreira Creamery Building)
- 2) Rail Corridor Los Banos Community Center
- 3) Rail Corridor Los Banos New Facility - RDA identified 5 acre site adjacent to proposed family entertainment center on Mercy Springs Road
- 4) 200 Willmott Road (former Fisher Research Building – 23,000 sq.ft.)
- 5) 90 “G” Street, (Hacienda Commerce Center)
- 6) Pacheco Blvd./Highway #152 (Merced College)
- 7) Pacheco Blvd./Main Street (Ballatti Bldg.)
- 8) Los Banos Police Annex Building across from City Hall (two stories)
- 9) RDA building on 6th Street. Possible contribution to exchange with private land owners for alternative preferred site.

Marketing

According to the NBIA, good marketing can help keep incubators full, and maintaining a full incubator is the linchpin of a sustainable program. “Success depends on keeping a steady flow of viable clients into the incubator,” says Charles D’Agostino, executive director of the Louisiana Business & Technology Center in Baton Rouge, Louisiana.

The marketing plan is a statement of what the Innovation Place Network can achieve offering a checklist of what needs to be done to attract more or better clients, and new or stronger partners and sponsors.

The marketing plan is a snapshot of program’s at a particular point in time and may be used to measure progress and renew commitment to improving the incubation program. The marketing plan is one component of the overall business plan and is one way to achieve particular business goals.

Business incubator marketing plans range from one- or two-page checklists to twenty-page documents packed with charts and tables. According to NBIA, most incubator marketing plans have elements in common:

- An executive summary (usually for longer and more complex plans)
- A statement of the incubator's overall business goal or vision
- A description of the incubation program and its current services
- A description of the overall market and the incubator's role in that market
- An analysis of what the incubator does well and where it can improve
- A list of specific marketing goals and strategies to achieve them
- A timeline of marketing activities, often with responsibilities assigned
- An estimate of the expected costs associated with each strategy or activity
- Some ways to measure the success of marketing activities

Programs and Services

The innovation Place Network will nurture and facilitate business development in Los Banos and Merced in the earliest, most critical stages. This is especially important for technology-based companies and aids commercializing new technologies. Projects in universities and federal laboratories require years of research and development, as well as the state-of-the-art tools and laboratories necessary for experimentation.

New technologies must often go through a long period of time for market acceptance (immature markets) before they ever attain any level of profitability. In addition, technology-focused entrepreneurs require all kinds of support. They need professional support in terms of patent lawyers, accountants, marketers, and networking organizations. They also require technical talent: the scientists, researchers and experts to assist them in the R&D process. Equally critical is risk capital - they need the financing necessary to launch their companies. Incubators provide an environment that helps new businesses overcome these hurdles.

Incubators provide five broad areas of support to client companies: Facilities, Equipment, Professional Services, Knowledge Access, and Financing. Successful incubator programs reportedly put client services first. Providing start-up businesses with the tools they need to grow and succeed is the main goal of incubation programs and separates them from simple real estate operations. NBIA recognizes as a best practice the need to "prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation.

Common incubator offerings include help with business plan writing, assistance securing capital, and shared administrative services. But services vary depending on an incubator's mission and focus as well as on individual clients' needs. For example, a professor commercializing a university technology might need help creating a product or prototype, while a client developing a grilling sauce at a kitchen incubator might need access to bottling equipment.

Services must be tailored to a company's stage of development; the skills, personalities, and experience of its management team; access to funding; and many other factors. Determining which services clients need requires careful assessment during the admissions interview and

ongoing assessment throughout the clients' time in the incubator.

Part of an incubator manager's assistance to clients is the development and administration of a service provider network. The network gives clients access to high-level (and often reduced-rate) legal, accounting, financing, and other types of business assistance that might not be available from the incubator staff. The Innovation Place Network stakeholders and manager's goal in developing a service provider affiliation should be to identify and recruit experts willing to resolve problems faced by client companies. Several local groups are available in the cities of Los Banos and Merced to support this range of service. By negotiating pro bono or reduced rates with service providers, incubator managers help their clients conserve much-needed capital.

Many incubators also offer services to affiliate clients who pay fees to participate in the incubator's service program and activities but are not occupants of the incubation facility. An affiliate program sometimes is used to groom clients who aren't ready for full incubation or to ease graduates' transition to life outside the incubator. Affiliate programs also can generate revenue for the incubation program while expanding its community outreach.

The Innovation Place Network shall regularly evaluate services to ensure relevancy and effectiveness. The intention is for staff to gather input via client surveys and focus groups, and through informal interactions with clients and graduates. Based on the feedback, programs and service may be eliminated or adjust to reflect client requests and current business conditions.

Client Needs Identification provides a benchmark for screening new applicants, allowing staff to assess if the ventures are ready for incubation and if the incubation program has adequate value-added services to fill the applicants' needs. The process clarifies actions to be taken and resources to be mobilized by clients as well as incubator staff during coaching and facilitation activities.

Identifying client needs is an ongoing process. At the onset, an incubator must clarify the needs of applicants to determine whether the services offered by the network can provide sufficient value to adequately fulfill these needs and justify admission into the program. The Innovation Place Network shall continually assess the needs of clients on a proactive basis to address an ever-changing environment.

Early in the process, Innovation Place Network staff may meet daily with tenants possibly diminishing as the team matures, but pick up once again if the venture works to secure equity capital. Regardless of the situation, needs identification provides the platform from which an incubator can take action to assist its client.

An important asset of business incubation programs is synergy developing from client networking. According to the NBIA studies identified three types of benefits that incubator clients realize through their interactions and relationships:

- a. Psychological – Representing physical and psychological support the incubator provides clients and clients offer each other. In best practices clients feel nurtured, encouraged and supported and obtain a sense of security that they would not have on their own. Given the extreme stresses that entrepreneurs experience when careers, investments

and even family relations are threatened, the atmosphere of the incubator can provide a significant margin of difference.

- b. Instrumental – Instrumental benefits are those that relate to the work or tasks of operating a business; they may take the form of increased sales, lowered costs, enhanced capabilities and reduced risk. These benefits derive from beneficial business contacts and expertise provided by the incubator’s know-how network, mentors and other experts, opportunities for sharing employees and equipment, co-bidding and the availability of computers, laboratories and other business and technical resources.
- c. Developmental – Developmental benefits involve “the process of increasing the firm’s and entrepreneur’s abilities by acquiring skills and generating new ideas.”

A relatively recent addition to the benefits of incubators is the link between academic research and a commercially feasible product or service is called technology transfer. The Innovation Place Network may provide businesses in Los Banos and Merced a mechanism for technology transfer. Since many ideas are developed and tested in academic laboratories by engineers and scientists, incubators enable these institutions to take the next step forward, by commercializing their products and processes into viable business models. During the technology transfer stage, tests are conducted, and patents, as well as licenses, are often obtained.

Corporate Support and Sponsorships

Through creative revenue-generating such as affiliate programs, training workshops, negotiating equity or royalties many incubators devise methods to increase income from sources other than rents. An incubator program’s bottom line depends on more than just a cost-effective renovation or construction. As a center for business, the Innovation Place Network must forge a broad array of support from larger established businesses which may generate financial support for the facility, but also supports programs through mentoring and relationship building.

Entrepreneurs benefit from interaction with larger companies. These relationships continuously demonstrate the value of sustaining networks as the basis of referrals for goods and professional services, as well as mentoring and continuing education for tenants.

Many large corporations are noted to support not for profit business oriented programs that help the communities. Lending institutions may find the Innovation Place Network an admirable vehicle to demonstrate their support to satisfy community reinvestment act (CRA) requirements.

Revenue generation may be derived from philanthropic resources as well as direct sponsorship of events and programs. Advertising opportunities within the facility, web site links and direct referrals may be of interest to and help lure corporate support for Innovation Place Network.

Administration and Operations

Financial

Most incubators will require some amount of subsidy for at least a few years and perhaps many years, because most are not able to support themselves with fees collected from rent and services alone. NBIA studies and surveys report more than 70 percent of respondents' business incubation programs were receiving some form of subsidy.

A basic principle espoused for business incubation is that an incubator be a "dynamic model of a sustainable, efficient business operation." In order to uphold this principle, an incubation program must "structure for financial sustainability by developing and implementing a realistic business plan," a concept NBIA recognizes as an industry best practice.

A reliable business plan provides the framework for implementing a consistent budgeting process, using sound accounting methods, continuously monitoring each of these procedures, and making adjustments when necessary. Staff should review an incubator's business plan annually, making sure that financial projections align with operations.

Most incubation programs rely on rental fees as a primary source of revenue and subsequently must ensure accurate assumptions about rental income to aid financial health. Determining demand for space, space per client, and rental rates is therefore a vital exercise and must be monitored. When establishing rental rates, it's important to remember that below-market rates might help attract clients in the short term but can backfire in the long run. For example, if a key sponsor or subsidy falls through, the incubator might be forced to raise rates and thereby risk losing clients. An incubation program should position itself as a supportive environment in which to grow a successful business rather than a space offering cheap rent.

In addition to rental income, an incubator's sources of revenue might include fees for services, support from sponsors, and equity or royalty agreements with client companies. Ideally, a program that structures for self-sustainability will reach a point where it no longer needs sponsor support to cover operating expenses (real estate and capital expenditures, administrative costs, staff salaries, etc.). However, sponsors may continue to provide financial support that enables a program to improve or increase its services to clients.

Incubation programs that operate as a program of a larger organization (for example, a university or county economic development organization), in particular, sometimes receive cash or in-kind subsidies for expenses including personnel, rent, or building maintenance. These subsidies allow the programs to operate with much less overhead but can be dangerous when political winds change as they could be terminated for political or other reasons. Incubator pricing will always reflect local market rates and the incubator manager's ability to convince prospective clients that the space, advisory services, contacts, training and other services provided by the program offer value.

An option to help sustain the Innovation Place Network is designating space for "anchor tenant" space – space provided to mature companies with no promise of business development assistance.

Incubator managers should avoid giving free space and services, although fees may start off below market and rise as conditions warrant in accordance with a mutually agreeable business plan. Any program aiming for success and expecting to create real community impacts must avoid gaining a reputation for being a hospital for “sick” businesses. If the incubator becomes primarily a charitable organization rather than a program that increases community wealth, it cannot achieve desired impacts and gain the support of the local business community necessary for success.

Incubator financial management involves careful monitoring of cash flow. With the constant flow of companies into and out of the program, income from rent and service fees is in constant fluctuation. Many cash flow problems can be avoided with detailed, disciplined, no-assumptions-made projections and planning for both short and long term. Cash flow analysis requires tracking annual and monthly inflows and outflows of cash, as well as being clear about what constitutes a truly reliable source of income.

Funding Sources

Incubators derive funding from many sources. In virtually all cases, incubators are subsidized by public agencies that recognize that supporting small business start ups is a cost effective method to create new jobs in a community. The Innovation Place Network requires extensive public funding support. The size and anticipated demand for services is unlikely to be self sustaining for many years. The proposed operations strategy is to garner support from existing service providers who can contribute to facility and program management potentially in exchange for office space and staffing support.

As an example, MCEDCO and the Alliance SBDC may agree to collocate to Innovation Place and agree to manage the facility, counsel clients and market to prospects in exchange for discounted office space and shared administrative and overhead amenities. As each organization is already providing a level of small business counseling and marketing to entrepreneurs this arrangement could dramatically reduce incubator management costs until revenue stream are able to support full time incubator management.

Public Sector

Nationwide success of incubators in helping business create employment and contribute to local economies has resulted in many funding programs offered by state and federal agencies. Grants for facilities as well as operation and administrative support are available through multiple agencies:

U.S. Department of Agriculture – USDA programs, focused on rural business offer grants and loans to communities and support guarantees and funding from private lenders to rural business. USDA programs such as the Rural Business Enterprise Grant (RBEG) may be particularly effective for the Innovation Place Network as RBEG supports technical training and business counseling.

The Rural Community Development Initiative (RCDI) is another valuable resource. RCDI addresses economic development capacity building for rural communities and will help eligible

cities recognize the value of Innovation Place Network through training and awareness, with moderate outreach to direct businesses.

Other programs such as the community facilities or Business and Industry Guarantee programs can support facility construction as well as business capitalization. Improving a rural businesses financial situation enhances their ability to pay rent and indirectly supports the incubator. Recently a "Veteran's Center" business counseling component was added to USDA.

U.S. Department of Commerce, Economic Development Administration – EDA programs fund both construction and technical assistance. The Innovation Place Network may pursue facility construction grants to establish the incubator facilities. The dire economic situation in California's central valley and Merced County may enable recipients to secure proportionately more grant funds due to special "distress" experienced in the region.

U.S. Small Business Administration (SBA) – The SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services. The Office of Small Business Development Centers (SBDC) provides management assistance to current and prospective small business owners through a network of SBDC's offering one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. The University of California, Merced is the manager of the Central California SBDC Network, and the Alliance SBDC serves Los Banos and Merced.

U.S. Housing and Urban Development (HUD) – HUD's Rural Housing and Economic Development (RHED) grants may pay for portions of the Innovation Place Network by supporting incubator land acquisition, infrastructure improvements and construction training. Other possible RHED programs address financial assistance to businesses and developers; creating microenterprises and small business incubators; and establishing lines of credit or revolving loan pools to benefit the local business community.

HUD's Hispanic-Serving Institutions Assisting Communities (HSIAC) Program is designed to help these institutions, notably Merced Community College address pressing community development needs in their communities, including neighborhood revitalization and economic development programs that benefit low- and moderate-income families.

CDBG – The CDBG program is one of the longest continuously run programs at HUD, and is subdivide to address entitlement communities such as Merced through an annual allocation of grants to develop viable communities in part by creating programs to expand economic opportunities, principally for low- and moderate-income persons. CDBG funds may be used for activities which include acquisition of real property and providing assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

Non-entitlement communities such as Los Banos compete for funds under the Small Cities CDBG program. The state of California awards grants to smaller units of general local government that carry out community development activities. Annually, each State develops funding priorities and criteria for selecting projects. Communities receiving CDBG funds from the State may use the funds for many kinds of community development activities including, but not limited to acquisition of property for public purposes; rehabilitation of public and private buildings; public

services; planning activities; assistance to nonprofit entities for community development activities; and assistance to private, for profit entities to carry out economic development activities (including assistance to micro-enterprises).

Private Sector

Rent and Service Fees - The Innovation Place Network will derive a portion of its revenue from rent and service fees. Unfortunately, in the formative years the limited size and sources of fees are not projected to be sufficient to sustain Innovation Place without public sector subsidies. Facility graduates and employment/investment success are anticipated to leverage other resources.

Corporate Contributions – As noted above, donations and private philanthropy are potential sources of financial assistance to the Innovation Place Network. Lending institutions and financial services companies frequently offer donations or sponsorships for incubators, in part in response to Community Reinvestment Act (CRA) requirements. Advertising opportunities are another private revenue source. A growing trend with incubators is profit sharing with tenants and graduates. The “fee” for services is deferred until the incubator businesses become successful collected.

Staffing

The right incubator management can make or break an incubator. Thus, it is extremely important that the Board retain or assign qualified staff, provide appropriate compensation and recognize succession planning as an important duty. This is particularly vital given that almost all incubation programs have small staffs (1.8 in 2006, down from 2.4 in 2002 and 2.8 in 1998, according to NBIA’s State of the Business Incubation Industry reports for those years). Furthermore, the manager or president of the incubator is the one person upon whom almost everything rests – program quality, positive impacts, the respect in which the program is held in the business community, and the incubator’s ability to develop support from the many community resources (universities, workforce development specialists, investors, etc.) needed by the program and its clients.

An incubator manager is called upon daily to be landlord, accountant, teacher, recruiter, psychologist, and public relations executive, so it’s important that he or she bring diverse experience to the job. Many incubators require their managers to have expertise beyond the “basics.” For example, the manager of a technology incubator might need a doctorate in a particular science along with knowledge of intellectual property issues, while an arts incubator might look for someone with a business degree who also has a background in theater or dance.

Staffing an adequate number of people also is essential to an incubator’s success. Studies show that the more staff an incubator has, the more impressive its impact. But no matter how many people an incubator employs, the majority of staff time should be devoted to client assistance services rather than building or administrative tasks.

These individuals have such a pivotal role in the incubator, they must have the liberty to give companies the most attention. Any incubator that staffs itself too sparsely will necessarily pull

attention away from company development in order to accomplish stakeholder management, fund-raising and other tasks not directly related to client assistance.

A variety of small business consulting services are available throughout the region of Merced County that may augment incubator staffing. The Innovation Place Network will build alliances with interested SBE service providers and will contract with experts as resources are available to enhance planning and counseling resources available to prospects.

A significant resource is the Small Business Development Center (SBDC) network of the SBA. The University of California, Merced is the lead for the nine regional SBDC's in California's central valley. The Alliance SBDC serves as the center for Los Banos and Merced, is based in Modesto, with a satellite office in Merced.

The US SBA partially funds SBDC activities, and by leveraging a combination of in-kind contributions and direct cash match derived from participants or collected as rent or fees may provide substantial resources to sustain the Innovation Place Network as "in kind" staff but certainly able to assist with programs and services.

According to NBIA studies median salaries of full-time incubator CEOs increased 13 percent over their 2000 levels to \$72,000 in 2005, keeping pace with inflation over the same period. Individual salaries ranged from just \$22,000 to \$189,500. Although many managers reported low salaries nearly one in five incubator managers reported an annual salary of more than \$100,000. (Excerpted from Knopp, Linda, 2005 Compensation Survey of Incubation Executives, NBIA Publications, 2005)

The ability of Innovation Place Network to collaborate and share resources may alleviate staffing, as well as financial issues. As a tenant within a larger facility, Innovation Place Network may negotiate access to meeting area, conference rooms, washroom facilities, etc. or cities may assign personnel for general staffing and administration to support overall economic development objectives. As a regional incubator, it is conceivable to retain one manager to oversee two facilities and help achieve scale economies.

Office space for prospective partners may help underwrite facility cost and overhead. Example, MCEDCO may locate its office within the facility and reduce its overall space requirements while offering potential revenue sources and support services to the Innovation Place Network as a tenant. Other tenant prospects include Chambers of Commerce, SBDC offices, SCORE and other like services.

Tenant Eligibility

An effective client selection process has many benefits. It helps an incubation program acquire an optimal mix of client companies; it keeps businesses flowing into a program smoothly and efficiently; it weeds out fly-by-night entrepreneurs from those truly committed to and capable of growing successful businesses; and it helps an incubator manager or selection committee make tough decisions about who receives the program's limited staff time, space, and equipment.

The ultimate goal of a client selection process is to determine whether a good match exists between the incubator's resources and mission and the applicant's needs and potential. This is

an important step in supporting the NBIA's first principle of effective business incubation: "The incubator aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies."

Selection processes vary from program to program, but the first step in an effective, strategic process is to establish a clear set of admissions criteria. These criteria may include business type, growth potential, and even commitment to staying local after graduation. Setting specific standards (in combination with some well-honed instincts) will keep the manager or selection committee focused on applicants appropriate for the program.

No selection process would be complete without a thorough discussion of expectations. For example, the incubator manager will expect timely payment of rent and service fees and participation in incubator activities, while an applicant might need a certain type of space or assistance with market research. A discussion of expectations should include a review of any contracts clients are required to sign, such as leases and equity agreements and participation in mandatory training activities. This is also the time to explain graduation criteria and possible reasons for a client's termination from the program. The Innovation Place Network shall ensure applicants are aware of all required benchmarks and the time they have to meet them.

Because of differences in mission, client type, location, and other factors, the Innovation Place Network shall formulate a screening process and entrance criteria that reflect its mission statement and unique needs. Choosing clients takes time, consideration, and often a hefty dose of intuition. The incubator must support norms and attitudes that include sharing, support, openness to ideas and friendly relations among clients. Potential clients who show evidence of unfriendliness, excessive secrecy and unwillingness to learn from others should be excluded at the outset.

The easiest means of ensuring that clients provide data to the incubator so that it can prove its impact to sponsors and stakeholders is to include a requirement for providing this important information in the client's lease or service agreement. For example, a "letter of commitment" that is an addendum to the lease.

Incubation programs should never accept clients that are looking only for inexpensive space. In fact, incubator managers should provide information about the mission of the program and the services it provides up front and obtain assurances that the client is willing to participate fully in the program.

Clients that won't take advice, are not open to contacts with others, and who don't participate in incubator networking or other events create morale issues for the incubator. Additionally, they are not likely to promote the incubation program with prospective clients. Incubators should accept only companies that can benefit from the services provided by the incubator. Otherwise, the client is taking up valuable space that could be made available to a company that actually needs services targeted to emerging growth companies.

Lease requirements may also be used to ensure incubator clients engage in regular meetings with incubator management or advisors and mentors, complete planning exercises demanded by the incubator, and that they make financial records available to the incubator on a regular

basis. Having such items in the lease or service agreement ensures the incubator doesn't have to beg for them later.

Many government funding programs such as CDBG require business counseling and training. To increase the input of candidates, as well as ensure that tenants are participating in incubator programs all tenants should be required to participate in Innovation Place Network programs. The market for such services is easier to document and tracking is expedited.

Graduation Process

The ultimate goal of the Innovation Place Network incubators should be to help clients grow over time so that they can leave the program as self-sufficient firms, creating community wealth. Moving companies through a customized program provides the tools needed to survive outside the incubator. Successful incubators can never be perceived as hospitals for "sick" businesses.

The graduation rate is an important indicator of success for the Innovation Place Network. In best practices incubators, companies move through the program expeditiously; incubator management forces laggards out; and management requires successful companies to graduate. Best practices incubator managers also track graduate firms and their economic development impacts based on established criteria that promote incubator and graduate success.

The Board of directors and facility manager will continuously evaluate policies dictating when a company is poised to graduate. The policy is fundamental to business incubation, but lacks a definitive answer. Many incubator managers have found that no single graduation policy is right, even for clients within the same incubator.

Many programs set arbitrary time frames for graduation, such as twenty-four or thirty-six months after a company moves into the incubator. This approach is strong in its simplicity, but it has some drawbacks. First, it assumes that companies will mature at the same rate, which is not necessarily the case. Second, it can cause cash-flow problems for the incubation program if several companies graduate at the same time. Another approach is to develop a more complex set of exit criteria for clients, based on milestones such as establishing a complete management team, acquiring enough investments to accommodate the next stage of business, or requiring space beyond the capacity of the incubator.

Exit criteria give companies concrete goals and help ensure they'll be ready for life outside the incubator when it's time to graduate. Exit criteria also help an incubator determine whether it can continue to provide value to a given company.

The key is to have a strong rationale for deciding when a company should venture out on its own, and that rationale should relate to an incubator's mission and focus. For example, incubating a biotech company might take up to seven years, while a software company might need an accelerated timetable—eighteen months or less—to ensure the technology can be brought to market in a timely fashion. Additionally, an incubator's graduation policy should be flexible enough to allow the incubator to accelerate or delay graduation on a case-by-case basis.

Often incubator managers use stage of growth as a chief indicator of when a company should graduate. For instance, a program might expect a company to be through the seed stage, where it's developing its idea or concept, as well as the start-up stage, where a marketable product or service exists but perhaps has not yet been sold.

Monitoring client progress can easily be overlooked when responding to the specific needs that arise on a daily, weekly or monthly basis. Consequently, incubator staff must periodically take a step back to objectively evaluate a client's progress through the incubation program and whether it is likely to graduate from the incubator.

Staff can measure progress in terms of specific milestones approved and agreed at the time of entrance that reflect the evolution of a new venture as well as the mission of the incubator. Specific accomplishments such as completing/refining the business plan, solidifying the management team, completing the "proof of concept," securing capital, and establishing strategic partnerships are examples of milestones by which staff can track clients' progress through the incubation program.

Monitoring Effectiveness

The NBIA offers valuable direction to help measure the effectiveness of business incubators. At the very least the facility manager will conduct an annual assessment of quantifiable data and information to ensure the Innovation Place Network is meeting its mission.

The magnitude of the impact of the Innovation Place Network on the local economy shall be tracked not only in terms of clients served, but will also evaluate jobs created, salaries paid, revenues earned and other economic gains. These figures may substantiate the merit of the facility as well as help convince potential funders, champions, and the public in general of the program's importance. Additionally, tracking this information alleviates feelings of doubt about the facility effectiveness. An important notation is to track data from tenants as well as graduates.

Tenant Data

Of major importance to the program is that impact data is essential ammunition for securing operating revenue. Secondly, it's critical to have this data to prove your program's contribution to the local economy. Finally, individual programs' impacts contribute to overall business incubator credibility which is a valuable recruitment tool. Data collection shall include:

- business starts
 - employment
 - retail sales and tax
 - number and volume of loans to tenants
 - capital investment by clients
 - personal income of clients

One approach to incubator evaluations comes from the client's perspective. The innovation Place Network shall regularly gather feedback from clients about the usefulness and effectiveness of the incubator's programs and services. Based on the feedback and keeping the

incubator's mission in mind, the IPN manager can tailor programs and services that reflect client requests and changing needs.

According to the NBIA, client surveys are a useful way to gather not only outcome data, but also client satisfaction data. Questions gauging client satisfaction might cover:

- Training and mentor programs
- Space and facility services
- Networking and social events
- Efforts to assist firms in obtaining financing
- Service provider programs
- Incubator staff performance

The idea is to evaluate clients' use of services and whether those services are making a difference in their businesses. Clients will appreciate the opportunity to rate incubator programs and services as well as answer open-ended questions. They will also appreciate surveys that are easy to understand and do not take an unreasonable amount of time to complete.

Another effective way to gather input is to organize focus groups. Used in combination with surveys, focus groups offer additional insights and can bring out more spontaneous reactions from participants. Some managers ask graduate companies to participate in focus group sessions because graduates often have a greater appreciation for what they gained from the incubation program as clients.

New start up incubation programs have the luxury of beginning your tracking with a fresh slate. The Innovation Place Network partners shall decide on metrics and methodologies obtain, store and track data. With each incoming client, managers will convey expectations in this regard both during their tenancy and after they graduate. Clients shall be advised of the data points expected and a sample of the survey instrument. That way they'll know ahead of time what you'll be asking for and can set up their books accordingly

Graduate Data

Tracking graduate data is vital to evaluating the success of Innovation Place Network, and helps sustain the business and corporate support system. The purpose is not to take credit for accomplishments (or mistakes) of firms after they're out on their own, but to monitor actions that lead to a company's ultimate success or failure in part due to its former association with the incubator. The paradox is how can an incubator declare a role in creating jobs that come into existence after a company leaves the program?

Skip Farrar, business development manager at Southern California Edison, a public utility in California, says it's important for incubators to continue to track and report this data. "It's a but/for argument," he says. "But for the incubator, this business might never have existed, and the persistency wouldn't be there." In Farrar's opinion, the role the incubator plays in getting a business off the ground is extremely important. "Therefore, the incubator gets to claim results over time," he says. (Source: NBIA web site)

Collecting graduate data is more time-consuming than collecting data from on-site firms. Some graduates may not feel obligated to share data about employment and revenues, or they're concerned about how the information is to be used. Graduate firms may feel put upon and reminded that public investments paid for some of the services they received while in the incubator, and that in order for others to benefit a demonstrative return on investments must be illustrated.

Tracking data for five years after a firm graduates is sufficient to demonstrate persistency in the market. Many managers stop tracking then because persistency has been demonstrated and, beyond that point, it becomes increasingly difficult to obtain data.

Conclusion

Wealth generation and employment opportunities in the cities of Los Banos and Merced, California will be improved by focusing on small business and entrepreneurial (SBE) development. SBE programs are frequently referred to as the “garden approach” to economic development as communities “grow” new enterprises from the entrepreneurial seeds (ideas and dreams) to be nurtured from their residents.

Small business is projected as the source of most new employment and will diversify the local economy, expand the range of local goods and services to support the community, and help recruit new business. SBE programs are recognized as a cost effective community economic development initiatives, particularly important during the current financial crisis affecting the region.

Entrepreneurship and small business formation has a higher probability for success if technical training, counseling and a collaborative exchange of information and experience is available. Business incubators have a proven track record in raising the success rate of small business operations. Expanding small business support programs is critical to maximize the research and innovation

Entrepreneurial support was prioritized by each city in the approved CEDS and plans emphasize commercializing innovation emanating from local educational institutions and expanding vocational skills. Inclusion within the CEDS is one step to securing additional funding from federal agencies.

Merced Community College and the cities of Los Banos and Merced collaborated with MCEDCO to leverage resources to establish and expand incubator services in the region. Implementing the Innovation Place Network will help achieve the goal of community prosperity through small business development.

Each city has several candidate sites for a business incubator, including the expansion of the current facility in Los Banos. Site location decisions should be made in a timely fashion to enable more comprehensive financial planning and position each community to compete for grant funds, donations and establish revenue stream to repay potential public sector loans.

The next steps for the Innovation Place Network are listed in the Executive Summary. A collaborative implementation strategy is recommended as funding agencies consistently prefer regional initiatives and value partnerships.

ATTACHMENT - A

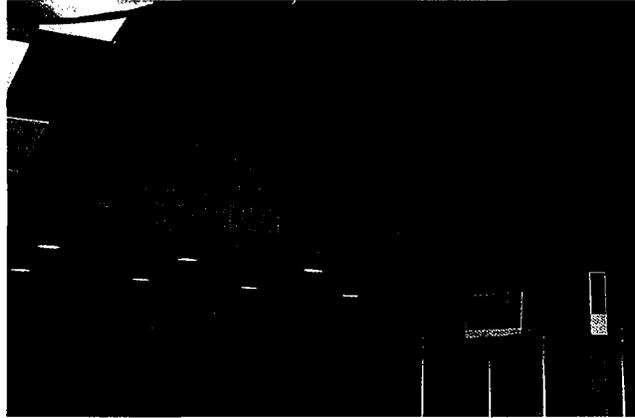
Fresno-Clovis Incubator Site Tours (9-3-08)

Cargo Bay, Clovis

Lawrence Ventures offers an advanced & progressive incubator. The facility, services, and professionalism were laudable. The tour was given by the CEO & Managing Director, Case Lawrence and CTO, Ian Mearns.

According to the two executives, the goal of the incubator is to give small businesses a competitive edge as they compete with larger businesses (basically working to make small businesses seem, operate, and function larger than actual). They provide affordable office space, updated technological resources, meeting spaces

with SMART Board, shipping & receiving services with work center and mailing units (rented at \$25 a month), a full-time concierge/receptionist, Cyber Café/kitchen facility, and eBay photo studio to just name a few of the features offered with membership. Several storage options are also available: interior storage, drive-up storage, climate-controlled storage, and a 2nd level unit accessible by a drive up ramp.



Model: Provide a low-risk, month-to-month facility with everything a small business owner needs to operate (office, phone, phone number, furniture, fax machine, storage space, business cards on demand, meeting space, etc.). Office suites are available for 1-2 people, ranging at \$399-\$899/month. Open and welcoming atmosphere where someone can walk in and within 20 minutes have everything they need to operate their business. They also provide off-site memberships to give business owners the facility use for meetings, wireless internet, storage, etc.

Pros: First class facility; service oriented, low risk, high tech, professional, locality, everything under one roof, and cutting edge. Month to month leasing, 24 hour access, fully furnished, business mailbox, broadband, wireless internet, IP technology, dedicated storage unit, conference room access, break lounge, shipping and receiving.

Cons: Lacks the educational component and “nurturing” of small business development. Executives expressed concerns in the design of the facility. They would have changed the layout of the meeting spaces and sizes of the office spaces.

Office Bay, Clovis

Office Bay is an evolution of Cargo Bay offering a layout that features a unique breadth of solutions for both emerging and established business. It operates similarly to Cargo Bay but offers a more Hi-tech workspace that includes iPod docks and a plasma TV, but lacks the storage and shipping fulfillment center in-house. Two types of space are offered. One has been coined Hot Bay which is in a shared workspace and the other, Work Bay, which has its own personal workspace and dedicated phone line, as being their only feature differences. Office suites range from \$599-\$2,299 per month.



Central Valley Business Incubator (CVBI), Fresno

Both the “Launching Pad” and “Water and Energy Technology” (WET) Incubators were professional facilities with simultaneous educational components. These facilities, while not as cutting edge as Cargo Bay, provided a limited number of small business owners the opportunity to operate under one roof with the necessary tools and resources to succeed. The goal of these incubators is to not only provide the “bricks and mortar” but to help owners develop the skills and competencies needed to succeed and compete in the market. The tour was provided by Craig Scharton, CEO of the Launching Pad and Claude Laval Water & Energy Technology (WET) Incubator. He has an instructional, mentoring and developing role with each business start-up housed within CVBI’s incubators.

At the Central Valley Business Incubator, establishing a firm foundation in business fundamentals and continuing business development through education is advocated. The hallmark of CVBI’s business development courses is the Business Planning course that helps test the feasibility of ideas and enhance successful ventures.

CVBI’s Launching Pad also offers single-subject business fundamental seminars taught by local professionals. The courses feature engaging, visual presentations and are well-suited for entrepreneurs and business owners in any stage of business development.

The Claude Laval WET Incubator, opened in March 2007, utilizes the resources of business incubation, education and industry in the \$5 million project which is a collaborative venture among the Central Valley Business Incubator, California State University, Fresno, and the International Center for Water Technology.

The WET Incubator, located at the southwest corner of Barstow and Chestnut avenues on the Fresno State campus, houses five on-site members developing companies around water or energy technology. The WET Incubator is a center of activity for entrepreneurs who have access to industry, incubation services and the technical expertise and research capabilities of Fresno State.

Quick Facts about the WET Incubator:

- Houses five on-site members
- 13,000 square feet
- \$400,000 photovoltaic-net metering system installed on roof with a 52-kw capacity
- Features hydraulic testing and certification laboratory: 30,000 gallons, 28-foot deep test bed, up to 300-horsepower pump
- Access to additional labs on the Fresno State campus in the agriculture, engineering, construction, business and science buildings
- Access to waste water streams
- Cooling tower testing services

Model: Provide a select group of small businesses a low-risk opportunity by providing both the facility/infrastructure and educational training necessary to succeed. They base their services off differing levels of membership and all business owners are required to complete an orientation training program before qualifying for the next level of membership. They are selective in the types and number of small businesses that they offer in-house space and resources.

Pros: Professional facility, educational training, support finding funds and grants, investor meeting support, and a connection with local area businesses/investors.

Cons: Facility offers different array and level of services vs. Cargo Bay and the facility (especially the Launching Pad) feels more like an educational training ground, rather than a business office. They are also limited in the number of businesses they serve.

Lyles Center, Fresno

Limited time with the Lyles Center constrained the overview of the program. The model was an example of a service oriented business incubator with minimal space for private enterprises. The Lyles Center is located on the Fresno State campus presenting some limitations (cons listed below), but the facility was very professional with meeting space, classrooms, offices, and a Technology Development Center was inspiring for fledgling business owners.

The Lyles Center offers an array of services and programs directed to youth, collegiate persons, university students, and the general community. They offer a full curriculum and a variety of workshops for the aspiring entrepreneur such as: an Entrepreneur Week; and International Innovation Workshop; Kauffman Internship Program; Kids Invent! Program; Mentorship Program; Entrepreneurship Scholarships; and Venture Capital Seminar.

They Center holds an Annual \$10,000 Student Business Plan Competition which awards college students with \$10,000 in prize money. First through third place winners of the competition receive cash to be used in the development of their business. The first place winner will receive one of the eight office spaces in the Lyles Center Hatchery and a scholarship to attend a two-day E-Myth Leadership Intensive Seminar, valued at \$1,500.

An Emerging Business Consultation Program is also offered. Attorneys Riley C. Walter and Gregory S. Powell from Walter Law Group provide up to two hours of pro-bono legal counseling services to faculty, staff, students, and community entrepreneurs and innovators.

Mode: The overall services provided by the Lyles Center is exhaustive and addresses primarily providing consulting services on how to move tech ideas to the commercial market, management training and tools, and assistance with commercializing and marketing products. Outreach efforts are directed to current students, local business owners, high school students, and young entrepreneurial minded kids through myriad programs and services.

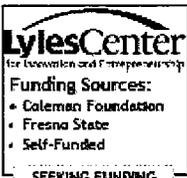
Pros: Professional office, large support staff, ample meeting space and offices, faculty onsite, advanced technology, and innovative support programs.

Cons: The facility is located on campus and in the student life center. It seems to become more of a hub for students to gather, check email, and utilize the resources. It lost some of its “business incubator appeal” because of its location.

Next Steps:

As we think through potential curricula, I would suggest developing a similar orientation provided by Central Valley to select who and/or what types of companies participate in the incubator. Additionally, I think we should then provide them with criteria/expectations as to how many courses they will take within the first 6 months or 12 months, etc. and then give them the option of the different types of classes they actually take.

Example:

YOUTH	After School	 <p>Funding Sources:</p> <ul style="list-style-type: none"> • Coleman Foundation • Fresno State • Self-Funded <p>SEEKING FUNDING</p>	
	Summer Camps		
	NFTE		
COLLEGIATE	CEO	Mentor Program	Scholarships in Entrepreneurship
	\$10K Business Plan Competition	Workshops	Student Venture Fund
	Student Hatchery	Internships	
UNIVERSITY	Faculty Fellowship	Technology Development	
	Entrepreneur in Residence	Bulldog Capital Fund	
	Workshops		
COMMUNITY	\$250K Business Plan Competition	E+Action	VC Workshop
	International Innovation Workshops	Newsletter	Pathway
	Innovation Task Force	KFSR “The Pulse”	

First 12 months take the following courses:

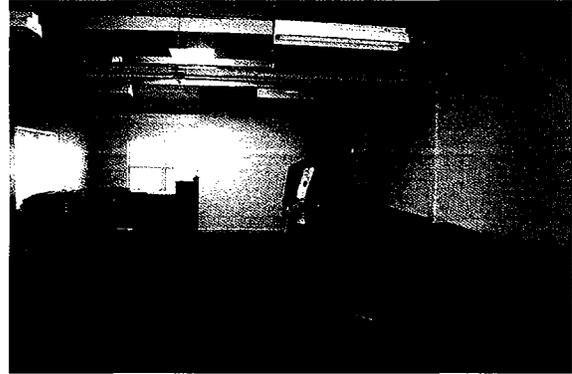
- Small Business Development Training and Orientation
- (4) Customer Service Academy courses
- (2) Elective courses from a menu we provide
 - o Business Planning 101
 - o Pesticide Certification
 - o ESL
 - o Ag Business, etc., etc.

ATTACHMENT- B

Marina, Watsonville, Santa Clara, & San Jose Incubator Site Tours (9-30-08 & 10-1-08)

Marina Technology Cluster, Marina

Susan Barich, Executive Director, of Marina Technology Cluster gave us the tour of the Incubator. The Incubator has a technology focused areas and have been established in marine science, agricultural technology, renewable energy, energy conservation, and information technology. The management team has developed entrepreneurial support and training with assistance from Community Development Block Grant (CDBG) funding from the State of California.



The MTC has developed and implemented several approaches to helping the budding entrepreneur. In cooperative-laboratory or "Co-Lab" training and information settings, entrepreneurs, as well as instructors, contribute to problem-solving activities for fellow entrepreneurs, helping one another to develop robust business visions, plans and processes. Through the incubator's "Community of Practice," clients provide paid services to one another, contributing their abundant talents to one another's efforts while, at the same time, establishing their own initial client base.

The Marina Technology Cluster provides a variety of entrepreneurial services to help businesses. They conduct an initial consultation in order to assess the needs of the entrepreneur and their business. Their tradition of consultative intervention allows them to provide the entrepreneur with the specific resources they need, from capital development to business-plan development to office space.

The MTC has two distinct programs where one is grant funded and the other city sponsored. MTC was created to help small businesses through the difficult early stages of business development. MTC provides our client companies and individuals with two distinct entrepreneur assistance programs. One is a grant-funded program from the State of California's Office of Housing and Community Development through their Community Development Block Grant (CDBG) funding. The other is funded by the City of Marina, our sponsors, and the entrepreneurs themselves. Both programs provide seminars, workshops and one-on-one consulting.

The client companies reside in office space in the MTC, either cubicle or suite space. They are daily participants in the entrepreneurial community, meeting with staff, advisors and one another to solve problems and share one another's expertise. They share business equipment such as T1 Internet access, fax machine, and copier. MTC staff can receive and sign for packages for them, and they enjoy the benefit of reception by staff, as well. Several conference areas are available to clients, both in the MTC space and the UC MBEST Center Space. Resident clients

benefit from proximity to the problem-solving skills of staff and their entrepreneurial community. They are on-site to ask questions as they arise.

The Marina Technology Cluster provides a limited amount of start-up space to technology clients, both self-funded and grant-funded. Space is available from single and double cubicles to full suites of 1,150 square feet. Office space includes access to conference rooms, kitchen, reception and a variety of office services and machines. Leases are month-to-month.

Model: They provide “One-on-One” consulting to narrow in on the needs of each company, they help find funding through banks, venture capitalists, and angel investors, and they provide office space. MTC also offers networking opportunities, classes, forums, and coaching when dealing with anything from writing a business plan to receiving CEO coaching.

Pros: Has the mentoring/educational component and “nurturing” of small business development. Expressed concerns in the design and cost of leasing the facility. They would have changed the layout of the meeting spaces and sizes of the office spaces. Month-to-month leasing. Reception staff available daily.

Cons: The companies have no place to graduate to. Businesses incubate too long. Limited by regulations of CDBG funding.

El Pajaro Community Development Corporation/Plaza Vigil Business Incubator, Watsonville

El Pájaro CDC is best known in Watsonville for the successful retail business incubator: Plaza Vigil. Plaza Vigil opened in 1996 to give low-income, Spanish-speaking entrepreneurs a place to start their retail business and become successful before venturing out into the community.

Carmen Herrera-Mansir, Executive Director, told us the history & background of the incubator, as well as, the services that the incubator offers. The Loma Prieta Earthquake of 1989 destroyed many of the buildings in downtown Watsonville, both displacing businesses and causing business owners to close their businesses. Plaza Vigil was created to help counteract the devastation caused by the earthquake as well as help low-income, Spanish-speaking entrepreneurs make the first steps in opening and operating a successful business.

Plaza Vigil has 14 spaces available to business entrepreneurs. Spaces rent for \$1.29 per sq. ft. and are about 390 sq. ft. in size. Property tax, as well as, legal and administration fees are also charged per year. Individuals who wish to start a retail business go through the application and training process for starting their business in Plaza Vigil. Once approved, the new business owner begins operating in Plaza Vigil at a reduced rent rate, with free access to all El Pájaro CDC’s business services. The business owner moves from Plaza Vigil after completing the specified incubation time period. The Executive Director suggested “commercial condo’s” be built in the community for businesses that are ready to locate outside of the Incubator, who are more prone to buy, which the money in turn can go to building another facility.

Since the beginning El Pájaro CDC has focused on job creation and supporting Latino, Spanish-speaking business entrepreneurs by offering free bi-lingual, bi-cultural business training and technical assistance. In recent years the El Pájaro CDC has focused on expanding its services to a greater population by forming partnerships with local government agencies and non-profit

organizations. In addition we work in partnerships with local agencies and organizations to offer assistance to specific, underserved groups in the community such as childcare workers, farmers, or CalWORKs (welfare-to-work) participants.

El Pájaro CDC offers free bilingual consulting and technical assistance to low and moderate - income business entrepreneurs who are starting or maintaining a business. Clients meet with our consultants to receive one-on-one technical assistance in the areas: Pre-loan Application Packaging; Loan Application Preparation; Business License Application; Other Business Application Preparation; Marketplace Research & Analysis; Business Analysis & Performance; Financial Management; Business Acquisition Analysis; and Business Resource Assistance.

They are also several educational workshops in offered in English and Spanish to their tenants: Business Plan Preparation (BPP) Workshops; Introduction to Business Plan: (3 hour evening workshop); Business Plan in Four Steps – Motivation, Marketing, Management, and Money (Meets 4 times, weekly meetings, 2.5 hours each meeting); Marketing and Sales Workshop (3 hour evening workshop); Customer Service Workshop (3 hour workshop); Bookkeeping Workshop (3 hour workshop); Computer Education Classes (up to 12 week course, weekly meetings, 2 hours meetings); Business Management Workshop (3 hour workshop); Financial Literacy Workshop (3 hour workshop for whole community); In-Depth Business Workshop (New).

Model: El Pájaro CDC/Plaza Vigil Incubator offers free bilingual consulting and technical assistance to low and moderate -income business entrepreneurs who are starting or maintaining a business. Reduced rents, one-on-one consulting, and a variety of workshops are offered to tenants.

Pros: New or current business owners can obtain one-on-one professional consultant assistance on questions related to planning, managing and operating a business. Receive assistance preparing applications for loans, business licenses or other applications related to your business.

Cons: Must be a resident of the City of Watsonville or of Pajaro County. Provides services and spaces for retail businesses only. No tenant graduation policy. Tenants stay for many years due to the inexpensive, good location. There are no additional downtown locations to move thriving businesses. Limited space available.

Access Growth/TEN's Santa Clara Innovation Center, Santa Clara

The Enterprise Network (TEN) is professionally managed by Access Growth LLC, a growth consulting and management firm. Access Growth is dedicated to improving innovation around the world through its global innovation network. Access Growth has tailored its suite of services to accommodate early stage and emerging growth companies that want to rapidly invent, develop, and internationally launch their products or services.



With this support infrastructure in place, TEN is now dedicated to supporting software companies from around the world that would like to have a US presence and launch with the power of Silicon Valley's ecosystem. Access Growth is currently developing relationships with governments, corporations, universities and incubators that want to expand their innovation capabilities. Access Growth currently manages 22 incubators worldwide.

The Enterprise Network provides full service office and cubical space with flexible terms to start up companies that are developing technologies that meet our requirements. Fifteen hundred to 5,000 shares per month, common share are used as payment. Payment also consists of \$350 for cubicles and \$650 for office space. Currently, about 50 companies are located in TEN, with 80% software based and the others mostly medical device businesses.

TEN – The Enterprise Network was founded in 1993 by Joint Venture. In 2002 TEN became a 501(c) 3 public benefit organization. From 1996 to 2002, TEN was funded by the NASA Ames Research Center to operate the NASA Ames Technology Commercialization Center. In 2002 TEN became a 501(3) c public benefit organization.

TEN's is dedicated to helping local businesses grow. Due to the 9/11/01 event, NASA pulled back funding. TEN then received a significant contribution from the Sobrato Family Foundation after the NASA program ended. TEN has had over 90 graduate companies. Of those graduates 27 have had a successful financial exit. Some of those graduates include: eBay, iPrint, XROS, Vertical Networks, Tukaroo.

TEN is a great place for startups. It consists of an entire top floor of a building, 35 private offices, extensive work stations and clustering areas, prestigious conference rooms for meeting investors and customers, computer room lab with room for server hosting, and ample parking. TEN is just walking distance to TEN's Santa Clara Innovation Center, the TechMart, and premium hotels, close to Light Rail. It provides panoramic views and a high energy environment that supports innovation and creativity.



The tour was provided by Chris Zelenka, Director of Operations, for TEN. An 18 month graduation term is given to each tenant. They receive one-on-one counseling to assess the individual special needs of each business, whether it is finding funding sources or determining the proper market to enter. They are selective in the types and number of small businesses that they offer in-house space and resources.

TEN provides several solutions and services to tenants: On-Demand Intelligence for a dozen industries; Product Development Services; International Expansion Services; Corporate Innovation (Internal & External); VentureMatch Global Monitoring and Consulting Services; Growth Consulting; Business Development; Marketing Support; Sales Training; and Talent Acquisition.

Model: TEN is an innovation center focused on providing the environment and professional services required to develop ideas into successful companies. TEN and its partner network have developed a unique set of services to offer technology start ups.

Pros: Professional facility, one-on-one counseling, support finding funds and grants, investor meeting support, and a connection with local area businesses/investors.

Cons: They are also limited in the number and type of businesses they serve.

JETRO Business Innovation Center, San Jose

JETRO Business Innovation Center (BIC) was established in 2000 to support Japanese technology venture businesses seeking to build presence and grow their businesses in the global ICT hub of Silicon Valley. Acceptance to BIC is competitive and all potential client companies must pass a series of reviews which examine business plan, financial reports and US market strategy. BIC clients are pioneering innovative products and concepts across a broad array of key technology sectors including semiconductors, software, gaming, pharmaceuticals, medical devices and biotechnology.

Through partnerships with independent technology incubation programs, JETRO has expanded its venture incubation activities to several key technology markets across the United States. Other programs are available in Chicago, Illinois (Technology Innovation Center - TIC @ Northwestern University), Cambridge, Massachusetts (Cambridge Innovation Center), Philadelphia, Pennsylvania (Science Center), and Mountain View, CA (B-Bridge International.)

JETRO, or the Japan External Trade Organization, is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential. They are a public non-profit that receive 40% in sponsorships, 40% consultation fees, and 20% in donations.

JETRO has 6 offices in the United States that provide information and support to American companies looking for successful entry and expansion in the Japanese market. JETRO provides a wide-range of services, such as timely market intelligence, extensive business development support, and relevant business events, all designed to encourage new business between American companies and Japan.



JETRO US-Japan Business Innovation Center (BIC) provides Japanese client companies furnished, ready-to-use office space and a variety of business support services in a modern facility conveniently located in downtown San Jose, the heart of Silicon Valley. There are 12 offices suites available. They are located within the US Market Access Center enabling them to provide client companies access to conference rooms, shared copy/fax services, high speed internet, kitchen facilities and a common lobby/reception area.

JETRO BIC has put together a package of services that includes free access to consulting, legal and accounting advisory as well as an onsite team of market research professionals able to produce up-to-date analyses of current industry trends. Furthermore, JETRO BIC leverages an extensive network of Silicon Valley professionals to provide their clients with the connections and advice needed to grow their businesses.

International companies coming to Silicon Valley need access to the latest information and trends impacting their businesses as well as opportunities to build a professional network. To support that JETRO BIC, along with their partners, hold regular events and seminars that address a variety of issues from establishing a corporation to acquiring VC funding to navigating M&A deals.

As setting up a new life in Silicon Valley can be a challenging task, JETRO BIC supports clients throughout the process. They help with finding housing, setting up bank accounts and drivers license, identifying suitable schools, etc.

At JETRO BIC, the goal is to accelerate the growth of the client companies by providing tailored services, relevant events and a first-rate facility. They work with every one of their clients individually to keep abreast of their business developments and provide ongoing support throughout the execution of their US business strategy.

Sponsored residency at the JETRO Business Innovation Center is available in principle to companies or individuals engaged in high technology fields (IT, bio-tech, software, nano-technology, etc.) and falling within one of the following groups: 1) Japanese venture companies that are currently engaged in business activities. 2) Aspiring Japanese entrepreneurs or those who have acquired Japanese nationality. 3) Companies founded in the US within approximately the last one year (from time of application) by a Japanese national or a person who has acquired Japanese nationality. Applicants should meet the following criteria: 1) Be a small or medium-sized company as stipulated by the Small and Medium Enterprise Basic Law; less than 50 percent of whose stock is held by a large enterprise. 2) When over 50 percent of the applying company's stock is held by a large enterprise investor, the core business of the applying company may not be the same as that of the investor.

Applicants must be planning for business development and expansion in the USA and not be engaged in the following activities: 1) Solely seeking to import to Japan articles or technologies from the United States. 2) Dispatching personnel to the USA solely for technical training. 3) Seeking solely to recruit USA staff for Japan based operations. 4) Acting as a proxy for the sale of other companies' merchandise. 5) Seeking to engage in business incubation or other business support activities. Selection criteria: BIC's review process considers applicants' core technology, products and services; US market potential, personnel/management, and strategy for US business development.

The applicants must submit the following required documents: 1) English business plan; 2) English executive summary; 3) Japanese translation of English executive summary; 4) Articles of Incorporation, business license; and 5) Account settlement sheet (balance sheet, profit and loss

statement). * Applicants should submit items 1), 2), & 3) at the time of initial application and 4) & 5) after corporate registry has been completed.

Model: The model is to provide Japanese businesses consulting services on how to move and expand into the US and international market. It is a one year program, renewable to 2 years with review after first. Client companies have fixed costs covered while they are in the program. There is also a 3 month, short program offered that can be renewed into the one year program.

Pros: Professional office, hands on support staff for easier US personal setup and transition, meeting space and offices, access to free market research and an extensive network of Silicon Valley professionals. Incubator program funded partially by Japanese government, about \$40,000 to \$50,000 per tenant. Tenants receive free rent, consultation, legal, admin., and accounting.

Cons: Funded partially by Japanese government, which doesn't hold tenant accountable and leads to them spend little time in office space. Difficult for companies to transition in US/Silicon Valley Markets, so they end up returning to Japan unsuccessful.

US Market Access Center, San Jose

The US Market Access Center (US MAC), formerly the International Business Incubator (IBI), is the leading trade gateway into the United States for international businesses. Located in the heart of the Silicon Valley, the US MAC is the first stop for technology and life science companies planning to expand their market reach and enter the US market.

The US MAC is recognized by the National Business Incubation Association as one of the few Soft Landing zones in the world for services specifically tailored to helping international businesses enter the US market.

The US Market Access Center (US MAC) is the leading trade gateway into the United States for international companies. The US MAC specializes in cost-effective US market entry for small to mid-sized, high-growth technology and life science companies planning to expand their marketing reach to the United States. The US MAC offers marketing and business consulting services as well as office space in a dynamic, international business environment.

The US MAC team is comprised of top notch marketing and sales consultants including former CEO's and Marketing VP's of both public and early stage high-growth technology companies, former Gartner Group Vice Presidents, and market experts in a range of technology industries from wireless infrastructure to healthcare services to enterprise software. This highly qualified, highly connected team offers market assessments, market strategy reports, and customer acquisition services.

They offer 5 main services at the US Market Access Center. The first being US Home Office Solutions, a way a company can immediately set up an impressive executive office in the heart of Silicon Valley. The US Market Access Center is the US home office of 20 foreign companies and the virtual US office of 10 foreign companies from around the globe. These companies come from a variety of industries and countries and are all located in a dynamic community of international companies focused on establishing and/or growing their presence in the US.

The US Market Access Center's office space has strategic advantages and cost effective options for foreign companies entering the market. These include: Located in the heart of Silicon Valley, downtown San Jose; Individual furnished office space; Flexible lease; Reception, kitchen, storage, restrooms, and mail delivery; Security infrastructure for 24 hour access; An individual address, telephone number, and fax number; Comprehensive center and services including, fax machines, copiers, postage machine, data show, shipping, and conference phones; T1 line; 1 Large Conference Room, 2 Small Conference rooms; Janitorial service; and Utilities included .

Residents of the US Market Access Center also have the following business resources available to them: Weekly office hours with professionals knowledgeable about marketing, sales, venture capital, and US business; Monthly programs on topics such as "negotiating with potential customers in the US" and "legal issues related to hiring in the US"; Referrals to a select group of key service providers in Silicon Valley to assist with business structure, law, accounting and tax strategies, marketing plans, and advertising; and Access to key information and contacts for entering the US.



If the business needs a presence in the Silicon Valley, but aren't in need of a full office, your business can sign up for Virtual Office services. This is the second option you can choose and the benefits of the Virtual Office services include: Silicon Valley address; Silicon Valley telephone number with worldwide-accessible voicemail service; Mail forwarding service; Use of conference rooms for business while in the Silicon Valley area; Use of our other resources

The third service they provide is Market Assessment. They can provide customized and detailed reports on your market and your competitors, including technology and market trends, potential distribution channels, competitive and substitute products, competitive history and strategy, and market projections. This report will help determine the client's opportunity in the US market and allows them to make appropriate resource allocation decisions.

Fourthly, the Revenue Generation program is offered. Their high level industry professionals have access to and credibility with, decision makers. They provide a qualified and detailed list of customer or partner leads, including information such as the names of key decision makers, departments, titles, contact information, and buying preferences, parameters, and priorities. We then capitalize on that information and our relationships in the US and in the industry, to set up qualified meetings for our clients with these key decision makers. The US Market Access Center's extensive and historical reach in the Valley, and proprietary database of US decision makers at companies, government offices, and universities, facilitates a quick ROI for clients.

Some additional services include the following: Business Plan and Market Entry Review; Presentation Review; Web Site Revision; Marketing Strategy Development and Web Site Revision; Full Market Entry Review; Recruiting local US sales and marketing team; Localizing marketing collateral; Naming and branding for the US market; Trade show preparation, attendance, and support; and One hour to multi day meetings and trainings with Silicon Valley institutions and companies.

Model: US MAC provides a US home office or virtual office, as well as, help craft strategic and operational plans to launch products and services in the US, with detailed recommendations including: Business strategies; Market positioning; Pricing; Promotional concepts; Channel strategies; Product localization requirements; Productive partnerships; and Targeted presentation creation.

Pros: Several office and services offered. Affordable and flexible rent. Extensive "Know-how/Know-who" Network. Industry Expertise. Soft landing zone.

Cons: Educational training not provided.

San Jose Software Business Cluster, San Jose

San Jose Software Business Cluster (SBC) is a professional facility for 20 to 30 software start-ups and emerging businesses. It is a business incubator that provides entrepreneurs with access to resources, a "know how" network and shared services. SBC is about 32,000 square feet of space in an attractive downtown San Jose building. SBC is a non-profit entity, supported by leading businesses and organizations within Silicon Valley that was developed by Jim Robbins, which has been patterned after successful industry focused incubators in California. It is cost effective, full-service, and offers office space. The facility program is co-managed by Chuck Erickson and Jim Robbins. Office space is offered at \$2.75 per sq. ft.

The following Core Facility Services are included in the basic lease rate: Month-to-month full service lease; Office space of various sizes, furnished; Administrator/Receptionist; 24-hour access to secured building; Shared conference rooms and projection equipment; Kitchen, lobby; Shared copier, fax, and postal meter; Local Area Network and T1 interconnect, network servers and Internet Service; and Home Page Host facility.

The following Core Business Services that are included are: Consultation of on-site SBC Director; Consultation with SBC Advisors and Executive Associates; Business development seminars; Business assistance through network of volunteers, interns, and members of the business community; and Introductions to business resources and the capital investment community.

The Fee-Based Services and Business Costs are contracted for and paid separately and they are the following: Telephone installation and monthly usage; Liability and personal property insurance; Copier usage @ \$0.08 per page; Postage meter usage at cost; College student interns at cost (when available); Media and public relations announcements via *PR NewsWire* at cost; and Monthly parking and parking validations.

The Cluster Benefits for the tenant companies are: Information and linkages to funding sources; Start-up coaching and assistance; Attractive, inexpensive space and furnishings in a setting conducive to software development; Shared copier, fax machine, conference rooms, lobby, and reception; Increased visibility and media attention; Medical and dental insurance at discounted group rates; and Technology transfer and joint venture opportunities between start-ups and established corporation.

To join the Cluster a candidate business must meet these initial requirements: A Internet or software technology business, product or service; In start-up, early-stage development,

restructure/re-focus; Viable business plan; Market identification and knowledge; Product defined with development plan; Technical capability; Financial Plan; Potential for creating new jobs; and the Ability to pay the low participation costs.

Applicants must first submit a completed application, submit a brief business plan, and participate in an interview with the SBC Director. Applicants are reviewed on the following criteria: Business potential; Quality of business plan; Clarity of market focus; Reality of assessment of competition; Quality of management team; Ability to utilize cluster services; and an attempt will be made to attract a diverse group of start-ups in non-competitive market sectors.

When a company is ready to graduate and has proven they are established, it is expected to move out of the Cluster to make room for new start-ups. The maximum period any business may remain is two years.

Model: SBC provides an excellent business services and facility amenities. They offer Business Development Planning, Venture/Angel presentation training, Referrals to VC/Angels, links to SAN Jose State University, One-to-one Consulting and Mentoring, Networking among clients, SBC CEO Forums, Partnership Programs, Marketing Assistance, Customer Referral Program, Screened Service Providers, and Access to Special Loan Programs.

Pros: Several office and services offered. Extensive "Know-how/Know-who" Network. Industry Expertise. Great coaching and mentoring training/ instruction.

Cons: There is not enough space to occupy all applicants.

ATTACHMENT - C

Business Operating Plan Framework

Following is a sample outline of an incubator business plan from the NBIA adapted from Kathleen Boyd's *"Developing a Business Incubation Program – Insights and Advice for Communities"* (NBIA Publications, 2006. p. 56)

- Executive Summary
- Mission and Objectives
- Client Focus
- Organizational Structure
- Legal structure
- Board composition
- Services and Programs
 - Services for incubator clients
 - Programs for entrepreneurial assistance
 - Business assistance providers
- Marketing, Public Relations, and Client Recruitment
 - Marketing and public relations plan
 - Client recruitment strategy
- Client Application, Selection, and Graduation Process
 - Application guidelines
 - Selection and screening process
 - Sample application
 - Graduation policy
- Staffing Plan
 - Staffing structure and job descriptions
 - Staff selection and training plan
- Facility
 - Description of the incubator facility
 - Technical requirements
- Budgets
 - Operating pro-formas for at least two years

ATTACHMENT- D

Incubators Today

According to the NBIA, there are nearly 1,000 incubators in the United States today. About 90% of these are non-profit organizations focused on economic development. Approximately 10% of North American incubators are for-profit organizations, set up to attain returns on shareholders investments. The NBIA also says:

- ▶ 47% of incubators are mixed use, catering to a variety of companies in the early stages of development
- ▶ 37% are designed for technology industries
- ▶ 7% are designed for manufacturing companies
- ▶ 3% are focused on community development/revitalization projects or serve niche markets
- ▶ 44% of incubators acquire their clients from urban regions, 31% from rural regions, and 16% from suburban regions
- ▶ Nearly 9% of all incubator programs acquire clients from outside their region or from outside the U.S.

Several types of organizations sponsor incubators. Some serve as the host organization, managing facilities and other services provided, while others are simply financial contributors. According to the NBIA:

- ▶ Approximately 25% of North American incubators are sponsored by academic institutions
- ▶ 16% are sponsored by government entities
- ▶ 15% are sponsored by economic development corporations (EDCs)
- ▶ 10% are sponsored by for-profit organizations
- ▶ Approximately 5% are hybrids with multiple sponsors
- ▶ 19% have no sponsor or host organizations

Until recently, non-profit incubators have remained in the background. They require little or no equity for the resources and services they provide, while their for-profit counterparts frequently demand up to 70% of shares as the price of entry (Inc. Magazine).

Worldwide there are approximately 4,000 incubators. Countries such as Israel, China, the United Kingdom and Australia have been particularly successful with the incubator model. Recently, the United Nations Development Program sponsored a review of nearly 200 incubators in seven nations undergoing industrialization. The study found that they are having a positive impact. Seventy-eight incubators were responsible for producing 26,000 jobs. In the Czech Republic alone, 17 incubators were involved with the creation of 440 business enterprises.

SOURCES

http://www.nbia.org/resource_library/peer/benchmark/resource_library/incubator_finances.php

<http://www.smallbusinessnotes.com/starting/busincubation.html>

http://www.professionalpractice.asme.org/business_functions/incubators/

Comprehensive Economic Development Strategy (CEDS) for the cities and County of Merced, 2008

“Strategic Action Proposal” The San Joaquin Valley: California’s 21st Century Opportunity, California Partnership for the San Joaquin Valley, 2006



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Mayor & City Council Members

FROM:  Gary Brizzee, Chief of Police

DATE: April 6, 2011

SUBJECT: Edward Byrne Justice Assistance Grant (JAG) (2009-SB-B9-2278)
Budget Amendment

TYPE OF REPORT: Consent Agenda Item

Recommendation:

That the City Council amend the FY 2010-2011 budget to reflect an increase in the amount of \$20,000.00 to the Edward Byrne/JAG Fund in revenues and an increase in the amount of \$20,000.00 to the Police Departments Edward Byrne/JAG Fund for expenditures relating to the purchase of Police Department radio equipment.

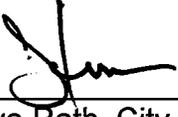
Discussion:

The City of Los Banos was awarded a three-year Edward Byrne, Bureau of Justice Assistance Equipment Grant in the amount of just over \$100,000.00. This amendment will be used to purchase necessary radio equipment as part of our Public Safety radio upgrade project.

Fiscal Impact:

This grant allows the City to receive \$20,000.00 in revenue (240-000-331-010) and allows the Police Department to expend \$20,000.00 on Police Department radio equipment (240-421-170-753).

Reviewed by:

A handwritten signature in black ink, appearing to read 'Steve Rath', is written over a horizontal line.

Steve Rath, City Manager

Attachments:

Resolution

RESOLUTION NO. ____

**A RESOLUTION OF THE CITY OF LOS BANOS
AMENDING THE FISCAL YEAR (FY) 2010-2011
BUDGET BY INCREASING THE
APPROPRIATION AMOUNT FOR THE EDWARD
BYRNE, JUSTICE ASSISTANCE GRANT (JAG)
FOR REVENUES IN THE AMOUNT OF \$20,000
AND EXPENDITURES IN THE AMOUNT OF
\$20,000 FOR NECESSARY RADIO EQUIPMENT**

WHEREAS, there has been presented to the City Council of the City of Los Banos a proposal to increase the appropriation limit in the City Budget for the 2010-2011 FY; and

WHEREAS, the City Council of the City of Los Banos may adjust the overall appropriation levels in each fund at any time during the 2010-2011 FY by action to amend this budget; and

WHEREAS, the proposed budget increase of \$20,000.00 in the Federal Grant Revenue Account (240-000-331-010) and an increase of \$20,000.00 in the Specialized Equipment Expenditure Account (240-421-170-753) for the JAG Fund; and

WHEREAS there are available monies through the JAG Fund by the revenues through the JAG federal grant and the expenditures have been authorized by the City Council for necessary radio equipment.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Los Banos to increase the appropriation limit for the revenues in the amount of \$20,000.00 in the JAG Fund and increase the appropriation limit for the expenditures within the JAG Fund in the amount of \$20,000.00.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 6th day of April 2011, by Council Member _____ who moved its adoption, which motion was duly seconded by Council Member _____ and the Resolution adopted by the following vote:

AYES:
NOES:
ABSENT:

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Honorable Mayor & City Council Members
FROM: Mark Fachin, P.E., Public Works Director/City Engineer *Mark Fachin*
DATE: April 6, 2011
SUBJECT: Designation of a Ponderosa Pine Tree at Conte Plaza as a Heritage Tree
TYPE OF REPORT: Consent Agenda

Recommendation:

That the City Council adopt the Resolution approving the designation of a Ponderosa Pine tree near the entrance of the Conte Plaza located at 241 W. Pacheco Blvd. as a heritage tree.

Background:

The Parks and Recreation Commission and City Council approved the establishment of a heritage tree program in 2008. On March 16, 2010, the Parks and Recreation Commission approved a new revised heritage tree section that provided detailed provisions for the designation, maintenance, preservation, and protection of heritage trees on private property, and recommended it be forwarded to the City Council for their approval. On April 21, 2010, the City Council adopted Ordinance No. 1091 which included the revised heritage tree section.

Ordinance No. 1091, Section 1 (c) reads:

Heritage Tree defined. As used in this Section "Heritage Tree" means: Upon nomination by any person and with the written consent of the property owner(s), any tree or group of trees recommended by the Parks and Recreation Commission and identified by City Council resolution upon a finding that the tree or group of trees:

- (1) Is of historic value because of its association with a place, building, natural

feature or event of local, regional, national or historic significance; or

- (2) Is identified on any historic or cultural resources survey as a significant feature of a landmark, historic site or historic district; or
- (3) Is representative of a significant period of the City's growth or development and was the result of a planting dedicated by citizens, civic groups or the City; or
- (4) Is identified because of its age, beauty, and/or uniqueness, especially if representative of a species that has significance in natural history and/or ecology.

Discussion:

The Tree Committee, at their meeting on February 9, 2011, approved recommending to the Parks and Recreation Commission the designation of a Ponderosa Pine tree near the entrance to the Conte Plaza located at 241 W. Pacheco Blvd. as a heritage tree. The Tree Committee has identified this tree as a heritage tree due to the fact that it is a tall, old, stately example of the Ponderosa Pine species, a species which is important to California natural history, and which grows well in the Central Valley.

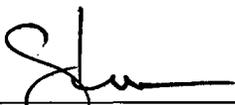
The Parks and Recreation Commission, at their meeting on February 15, 2011, approved the heritage tree designation request, and recommended it go before City Council for approval.

The property owners, Pat and Nora Conte, have given their written consent to having the Ponderosa Pine tree designated a heritage tree.

Fiscal Impact:

There is no fiscal impact associated with this request of a heritage tree designation.

Reviewed by:



Steve Rath, City Manager

Attachments:

Resolution
Conte's Consent Letter
Picture of Ponderosa Pine Tree

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LOS BANOS APPROVING THE
DESIGNATION OF A PONDEROSA PINE TREE
AT CONTE PLAZA AS A HERITAGE TREE**

WHEREAS, the City of Los Banos has adopted a Heritage Tree Program whereby members of the community can nominate a tree or group of trees be designated as heritage trees; and

WHEREAS, the Tree Committee has requested the designation of a Ponderosa Pine tree near the entrance to Conte Plaza located at 241 W. Pacheco Blvd. as a heritage tree; and

WHEREAS, the Tree Committee identified this tree as a heritage tree because it is a tall, old, stately example of the Ponderosa Pine species, a species which is important to California natural history, and which grows well in the Central Valley; and

WHEREAS, on February 15, 2011, the Parks and Recreation Commission approved the heritage tree designation request submitted by the Tree Committee; and

WHEREAS, the property owners, Pat and Nora Conte, have given their written consent to having the Ponderosa Pine tree designated a heritage tree.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Los Banos does hereby approve the designation of a Ponderosa Pine tree at Conte Plaza as a heritage tree.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 6th day of April 2011, by Council Member _____ who moved its adoption, which motion was duly seconded by Council Member _____ and the Resolution adopted by the following vote:

AYES:
NOES:
ABSENT:

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk

Monday, December 20, 2010

Dear City of Los Banos

With this letter we are requesting the tree at the entrance to our shopping center at 241 W. Pacheco Blvd., Los Banos be designated a City of Los Banos Heritage Tree.

The tree is a tall old example of a Ponderosa Pine common to this area.

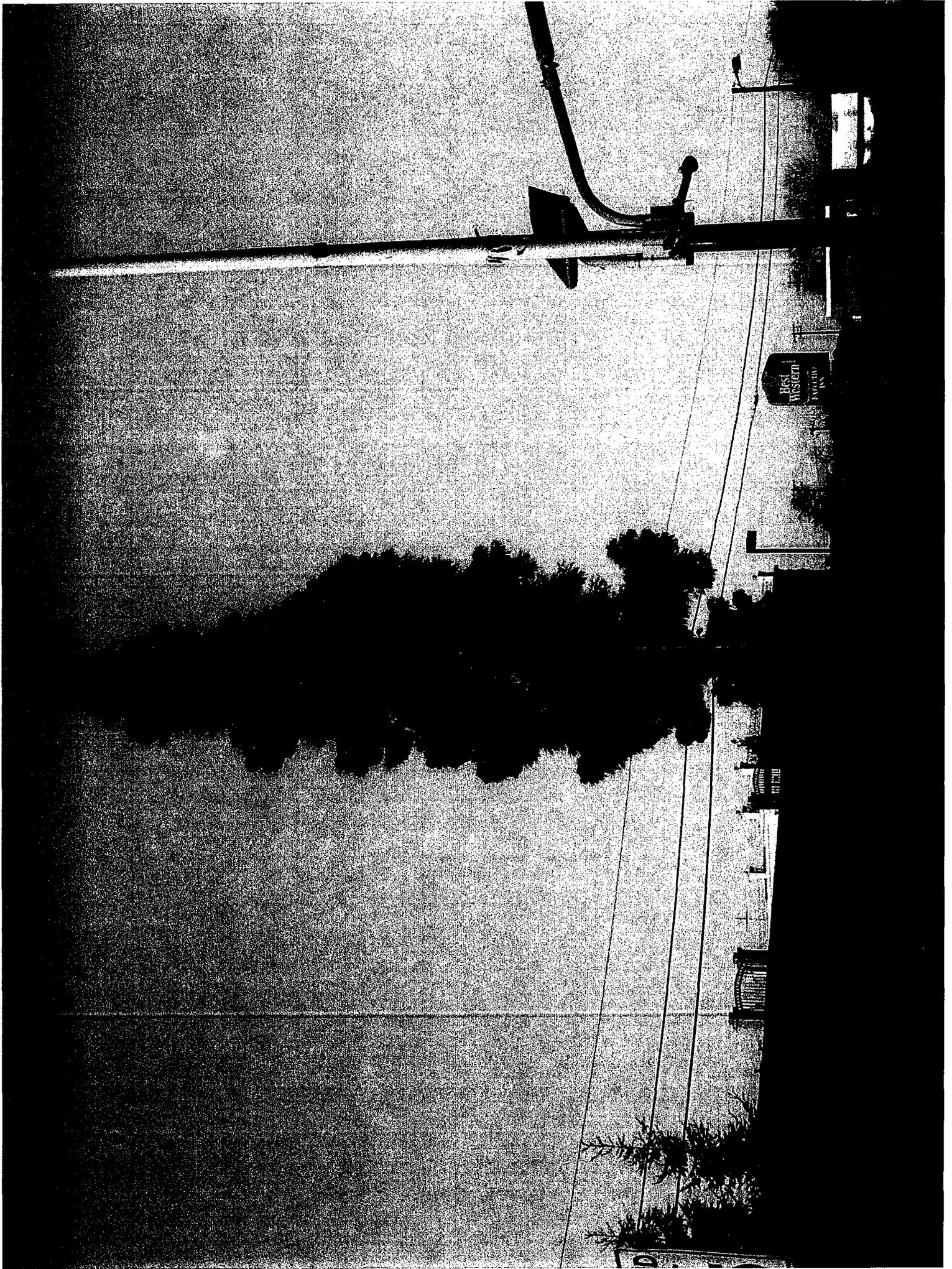
The City Tree Committee has looked at our tree and consider it worthy of Heritage Tree designation, and as the owner of the property where the tree stands I concur with this designation.

Thank you for your consideration.

Sincerely,

Pat Conte Pasquale Conte

Nora Conte Nora Conte





City of Los Banos

At the Crossroads of California

Agenda Staff Report

TO: Honorable Mayor & City Council Members

FROM: Mark Fachin, P.E., Public Works Director/City Engineer

A handwritten signature in black ink, appearing to read "Mark Fachin", is written over the printed name.

DATE: April 6, 2011

SUBJECT: Authorization of Public Works Director to Sign Request for Authorization Documents for Federal Funding including Congestion Mitigation and Air Quality Grant for Los Banos

TYPE OF REPORT: Consent Agenda

Recommendation:

That the City Council adopt the Resolution authorizing the Public Works Director/City Engineer to sign the Request for Authorization (RFA) packages and associated documents relating to the Federal Funding Grants and Congestion Mitigation and Air Quality (CMAQ) Funds for the City of Los Banos.

Discussion:

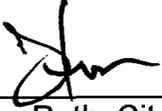
In order to authorize the release of Federal funds, including Congestion Mitigation and Air Quality (CMAQ) funds, Caltrans Division of Local Assistance requires each jurisdiction's Governing Board to authorize a staff member to sign documents for Request for Authorization (RFA) packages. These RFA packages must be generated, signed, and submitted to Caltrans Division of Local Assistance prior to authorization for the use of Federal funded grants.

A new RFA application change requires a formal Resolution by the City Council authorizing the Public Works Director to sign these documents.

Fiscal Impact:

The City of Los Banos cannot move forward in accessing Federal funding for grants until the City Council authorizes the Public Works Director to sign the RFA documents included in the application package.

Reviewed by:

A handwritten signature in black ink, appearing to be 'Steve Rath', written over a horizontal line.

Steve Rath, City Manager

Attachment:

Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS BANOS AUTHORIZING THE PUBLIC WORKS DIRECTOR/CITY ENGINEER TO SIGN THE REQUEST FOR AUTHORIZATION (RFA) FORMS FOR FEDERAL FUNDING INCLUDING CONGESTION MITIGATION AND AIR QUALITY (CMAQ) FUNDS

WHEREAS, Caltrans has been delegated the authority to approve the Request for Authorization (RFA) package to access Federal funds including Congestion Mitigation and Air Quality (CMAQ) funds, and to subsequently forward the RFA package to the Federal Highway Administration (FHWA); and

WHEREAS, the Federal Highway Administration (FHWA) has the authority to approve the CMAQ RFA package and sign/issue CMAQ funding authorization (E-76); and

WHEREAS, the applicant, City of Los Banos, will submit the RFA package to access Federal funds including Congestion Mitigation and Air Quality (CMAQ) funds for the City and provide all signed certifications and assurances as required in the package submittal.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Los Banos does hereby authorize the Public Works Director/City Engineer to execute annual Federal funding including Congestion Mitigation and Air Quality (CMAQ) funding Request for Authorization (RFA) applications for the City of Los Banos by signing RFA application forms. The RFA applications will be submitted to Caltrans for approval and subsequently to FHWA for approval and funding authorizations.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 6th day of April 2011, by Council Member _____ who moved its adoption, which motion was duly seconded by Council Member _____ and the Resolution adopted by the following vote:

AYES:
NOES:
ABSENT:

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Honorable Mayor & City Council Members

FROM: Mark Fachin, P.E., Public Works Director/City Engineer

DATE: April 6, 2011

SUBJECT: MCAG FY 2011/2012 Transportation Planning Work Program and Comprehensive Planning Work Program and Budget

TYPE OF REPORT: Consent Agenda

Recommendation:

That the City Council adopt the Resolution approving the 2011/2012 Transportation Planning Work Program and Comprehensive Planning Work Program and Budget for MCAG and allocate \$104,530 to the 2011/2012 Fiscal Year for the annual MCAG Contract.

Background:

The City Of Los Banos contracts with the Merced County Association of Governments (MCAG) on an annual basis to provide a variety of services ranging from overseeing transportation funds to grant research and writing.

As the Regional Transportation Planning Agency and Metropolitan Planning Organization, MCAG is the primary transportation facilitator in Merced County. Responsibilities range from acquiring priority projects to assuring money accepted for transportation has been properly utilized. MCAG must also be in the forefront of coordinated regional transportation planning activities, and to do so, requires program support. Work elements of the Transportation Planning Work Program seek to maintain a quality improvement program and provide additional means to successfully accomplish the goals and objectives established by the MCAG Governing Board.

The Comprehensive Planning Work Program deals with those elements of the MCAG operation not directly related to transportation, although transportation may be involved in each of the Comprehensive Planning Work Elements.

Los Banos joins the other incorporated cities within Merced County in contracting with MCAG to provide services under these Work Programs. Contributions are based upon a formula using each city's population. With a population of 36,421, as provided by the Department of Finance as of 1/1/10, the City of Los Banos' contribution would be 14.09% of the overall cost for service. This amounts to \$20,740 for regular activities and \$18,790 for transportation services. Total for this portion of the contract would be \$39,530. Last year's contract for this work was \$46,377.

In addition to the above listed contracted services, MCAG will be administering and implementing one City of Los Banos grant. The grant is the \$2.4 million Neighborhood Stabilization Program (NSP). This MCAG service amounts to \$65,000. This fee will be paid for out of the grant. Total for the MCAG contract is \$104,530.

Approval is requested of the 2011/2012 Work Program and budget, as submitted by MCAG.

Discussion:

In contracting with MCAG, the City of Los Banos would receive the following major services:

1. Transportation services including:
 - a. SB 375 Model Development
 - b. San Joaquin Valley Blueprint
2. Geographic Information System and Website
3. Grant Administration Program
4. One Voice Legislative Strategy
5. Merced County Regional Waste Management Authority Board
6. Transit Joint Powers Authority for Merced County
7. Neighborhood Stabilization Program (NSP) Administration

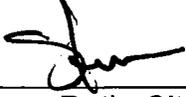
These items are defined in the MCAG Program Summaries included in this packet. In addition, other services are defined under each of the Work Program summaries.

Fiscal Impact:

Funding for this contract would be allocated as follows:

- 1) \$39,530 in the Membership and Dues section of the Administrative Budget FY 2011/2012; and
- 2) \$65,000 in the NSP Grant Fund FY 2011/2012 (paid with NSP grant funds).

Reviewed by:



Steve Rath, City Manager

Attachments:

Resolution

Letter from MCAG Executive Director Jesse Brown

FY 2011/2012 MCAG Work Program, Budget, and Membership Dues Schedule

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS BANOS APPROVING THE 2011/2012 TRANSPORTATION PLANNING WORK PROGRAM AND COMPREHENSIVE PLANNING WORK PROGRAM AND BUDGET FOR MERCED COUNTY ASSOCIATION OF GOVERNMENTS (MCAG) AND ALLOCATING \$104,530 TO THE 2011/2012 FISCAL YEAR FOR THE ANNUAL MCAG CONTRACT

WHEREAS, the City of Los Banos contracts with MCAG on an annual basis to provide a variety of services ranging from overseeing transportation funds to grant research and writing; and

WHEREAS, in contracting with MCAG to provide services under these work programs, contributions from each jurisdiction are based upon a formula using the city's population; and

WHEREAS, the City of Los Banos' contract with MCAG for Fiscal Year 2011/2012 is \$104,530; and

WHEREAS, in contracting with MCAG, the City of Los Banos will receive the following major services: 1) Transportation services including SB 375 Model Development and San Joaquin Valley Blueprint; 2) Geographic Information System and Website; 3) Grant Administration Program; 4) One Voice Legislative Strategy; 5) Merced County Regional Waste Management Authority Board; 6) Transit Joint Powers Authority for Merced County; and 7) Neighborhood Stabilization Program (NSP) Administration.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Los Banos does hereby approve the 2011/2012 Transportation Planning Work Program and Comprehensive Planning Work Program and Budget for MCAG and allocates \$104,530 to the 2011/2012 Fiscal Year for the Annual MCAG Contract.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 6th day of April 2011, by Council Member _____ who moved its adoption, which motion was duly seconded by Council Member _____ and the Resolution adopted by the following vote:

AYES:
NOES:
ABSENT:

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk

March 23, 2011

Steve Rath, City Manager
City of Los Banos
520 J Street
Los Banos, CA 93635

Dear Mr. *Steve* Rath:

At their March 17, 2011 meeting, the MCAG Governing Board authorized the transmittal of the FY 2011/2012 Work Program to each member jurisdiction for ratification. The work program is scheduled for adoption by the MCAG Governing Board at their May 19, 2011 meeting. Action by your City Council/Board of Supervisors is requested by April 30, 2011. Please notify Terrie Hagins at (209) 723-3153 ext 317 or by email at terrie.hagins@mcagov.org, MCAG Staff, of OWP ratification date and action by your City Council/Board of Supervisors.

Enclosed for submittal to your City Council/Board of Supervisors is a draft summary of the MCAG work program, budget, and membership dues schedule for FY 2011/2012.

The work program identifies each element's objective, personnel and funding requirements, and funding source. The major emphasis area of this year's work program are described below:

TRANSPORTATION

SB 375 Model Development: SB 375 tasks MCAG as the Metropolitan Planning Organization (MPO) with the responsibility of preparing "Sustainable Community Strategy" (SCS) (future land use scenario) that integrates land use and transportation to achieve green house gas goals set by the California Air Research Board (CARB). The first such SCS is scheduled to be included in MCAG's 2014 Regional Transportation Plan. Each of the other seven MPO's in the San Joaquin Valley have the same requirement and are on the same schedule. A coordinated and, for the most part, state funded effort will continue to develop and upgrade computer models that will be used to prepare and evaluate the Sustainable Community Strategy options for their ability to meet CARB emission reduction targets.

San Joaquin Valley Blueprint: The Blueprint program will be entering its 6th year. Fresno COG has assumed the administrative lead coordinating the efforts of the eight-valley Councils-of-Government through this process. The goal is a unified vision and strategy for achieving a valley-wide plan for regional land use, transportation, economic development, and other key components important to valley residents through the year 2050. A major product of the coming year will be a "tool box" of policies and programs for local agencies to choose from should they choose to achieve San Joaquin Valley Blueprint Principles.

Yosemite Area Regional Transportation System (YARTS): Merced County, Mariposa County, and Mono County formed YARTS as a three-county transit service Joint Powers Authority in 1999. YARTS has contracted with MCAG for transit management, marketing, and administrative support. MCAG is fully reimbursed for its personnel and support costs.

Geographic Information System (GIS)

Since 1991, MCAG's not-for-profit corporation, Merced Data Special Services, Inc. (MDSS) has maintained a countywide Geographic Information System that includes parcel, general plan, and zoning maps. This system is as an element of the work program funded with federal and state transportation funds. This data system is free to MCAG jurisdictions. There will be no separate maintenance cost for MCAG member jurisdictions for these maps or thematic layers. MCAG staff provides training and hosts a users group for member agencies. This program also maintains an interactive website that is accessible to the member agencies and the general public.

Each jurisdiction may contract with MCAG to provide additional services as they may require.

Grant Administration Program

The grant writing and administration program provides these services to member agencies. The program has a staff of 2.5 regular positions, a program manager, and 1.5 grant writer/administrators. Past policy has been to fund the equivalent of the program manager position with member contributions, LTF planning, and Regional Waste Management Authority funds. The remaining positions are funded through contracts with member jurisdictions. These contracts include administering grants such as CDBG and HOME for housing rehabilitation, First Time Homebuyers and other program administration.

One Voice Legislative Strategy

Our State and Federal legislative program will be entering its eighth year. Workshops will be held in the fall with the Governing Board, Technical Review Board, and our private sector partners to revise and update the strategies. Quarterly monitoring sessions are scheduled to insure that our One Voice Delegation monitors progress on our issues throughout the year. Our One Voice delegation will present the state and federal legislative programs to our respective delegations in Sacramento and Washington D.C.

Transit Joint Powers Authority for Merced County

The Amended and Restated Joint Powers Agreement of the Transit Joint Powers Authority became effective July 1, 2010. The Executive Director and the Transit Manager implemented alternative staffing arrangements that maximized the use of existing staff resources from both the Transit Agency and MCAG for the most effective and efficient use of available capabilities and funds. A transit service plan and budget will be implemented through the Transit Joint Powers Authority (TJPA).

Regional Waste Management Authority for Merced County

MCAG will provide staff support to the Regional Waste Management Authority as it transitions from management by Merced County Public Works to an independent authority. MCAG also staffs the countywide public information and education programs addressing both non-hazardous and hazardous materials, the recycling economic development zone, and administers resource recovery projects funded by the State on behalf of the cities and the county.

BUDGET

The budget assumes maintenance of the existing staff of 18 equivalent regular employees. No cost of living adjustment is proposed for the salary schedule. Merit pay increases are budgeted and may be awarded if personnel performance merits.

Federal Transportation Planning funds, (\$940,080-FHWA, \$99,804-FTA) available through TEA-LU provides the majority of funding for the transportation program.

Local Transportation Funds required for match and to fund federally non-eligible costs are proposed at \$133,360 with no change from the last two years. Transportation Development Act Administrative funding is proposed to remain the same as the last two years at \$62,100.

Local Contributions that include the One Voice Program have been reduced from the current year by \$65,000 or 25% from \$195,200 to \$147,200 reflecting elimination of the Sacramento consultant, a 20% reduction in the Washington D.C. consultant, and the additional participant contributions.

APPROVAL SCHEDULE

This document has been submitted to State, Federal, and Regional Transportation and Air Quality Agencies. This group met with MCAG staff March 15, 2011 to provide their comments.

Each City and Merced County is requested to approve the FY 11/12 MCAG Budget and Work Program during April.

The Draft FY 11/12 Work Program and Budget are scheduled for submittal to the MCAG Board at their May 19, 2011 meeting.


Jesse B. Brown
Executive Director

MERCED COUNTY ASSOCIATION OF GOVERNMENTS
FY 2011/2012
OVERALL WORK PROGRAM
TRANSPORTATION PLANNING

Summary: As a Regional Transportation Planning Agency and Metropolitan Planning Organization, MCAG is the primary transportation facilitator in Merced County. Responsibilities are many, from identifying priority projects to assuring money accepted for improving transportation has been properly utilized. MCAG must also be in the forefront of coordinated regional transportation planning activities, and to do so effectively, requires the correct tools and program support. Work elements of the Transportation Planning Work Program seek to maintain a quality improvement program and provide additional means to successfully accomplish the goals and objectives established by the MCAG Governing Board.

1200 CITIZEN PARTICIPATION/INTERGOVERNMENTAL COORDINATION

Purpose: To help the public understand issues and processes that affects the regional transportation system in Merced County. To inform and report to residents throughout the county, along with other interested parties, of all the services and products that MCAG provides. To expand citizen participation in the planning process. To act as a liaison between government agencies and member entities, and bring that cooperative viewpoint to the public.

Staff Time: 29.5 Person Months

Funding: FHWA PL Carryover, FTA Sec. 5303, LTF Planning, MCAG Other- \$479,835

1460 REGIONAL TRANSPORTATION PLAN (RTP)

Purpose: To promote a coordinated regional transportation planning process through the development and implementation of a Regional Transportation Plan.

Staff Time: 1.5 Person Months

Funding: FHWA PL Carryover, PPM - \$27,200

1470 AIR QUALITY PLANNING

Purpose: To inform and advise MCAG and member agencies on air quality issues and policies; to ensure that MCAG's transportation plans, programs, and projects conform to the most recent air quality requirements; and to coordinate effectively with other government agencies on these matters.

Staff Time: 1 Person Months

Funding: FTA Sec. 5303, LTF Planning - \$13,700

1520 FEDERAL TRANSPORTATION IMPROVEMENT PROGRAM (FTIP)

Purpose: To maintain a Federal Transportation Improvement Program (FTIP) based on an objective project selection prioritization process and to program for funding the most cost-effective and environmentally sound transportation projects based upon policies and actions identified in the Regional Transportation Plan.

Staff Time: 7.75 Person Months

Funding: FHWA PL Carryover, PPM - \$110,000

1530 TRAFFIC MODELING

Purpose: To maintain and update the traffic model used for the transportation planning programs.

Staff Time: 2.25 Person Months

Funding: FHWA PL Carryover, LTF Planning - \$32,000

1538 HIGH SPEED RAIL COORDINATION

Purpose: To monitor high speed rail planning activities within the San Joaquin Valley to further the achievement of the goals, objectives and regulations of the Federal Transportation Act, in coordination and cooperation with regional and state transportation agencies.

Staff Time: .75 Person Months

Funding: FTA Sec. 5303, LTF Planning - \$12,500

1560 SAN JOAQUIN VALLEY TRANSPORTATION COORDINATION

Purpose: To coordinate the transportation and air quality planning activities within the San Joaquin Valley Nonattainment Area to further the achievement of the goals and objectives of the Federal Transportation Act and the Federal Clean Air Act, in coordination and cooperation with regional and state transportation and air quality planning and regulatory agencies.

Staff Time: 2.75 Person Months

Funding: FTA Sec. 5303, LTF Planning, MCAG Other - \$76,400

1565 LEGISLATIVE PLAN

Purpose: To educate local public and private sector personnel regarding state and federal legislative issues, projects, and programs that may affect the transportation planning and implementation process.

Staff Time: 1.5 Person Months

Funding: FHWA PL Carryover, LTF Planning - \$21,000

1570 SHORT RANGE TRANSIT PLAN (SRTP)

Purpose: Update and prepare a Short-Range Transit Plan identifying needs, service improvements, and a financial plan.

Staff Time: 1.75 Person Month

Funding: Discretionary Planning Grant, MCAG Other - \$123,400

1610 GEOGRAPHIC INFORMATION SYSTEM (GIS) MAINTENANCE

Purpose: The purpose of the GIS Maintenance element is the annual collection, editing and maintenance of GIS data from various sources into an accurate and complete GIS system to support MCAG's transportation planning elements.

Staff Time: 26 Person Months

Funding: FHWA PL Carryover, LTF Planning - \$318,600

1620 GIS DEVELOPMENT: PROJECT SITE PACKET

Purpose: To program and create an easy to use map utility that generates a multipage PDF that includes a variety of maps, indexes, metadata and overlay information for a specific address, site, corridor or area. The concept is to quickly generate maps similar to those needed for an Environmental Impact Report, Environmental Impact Study and/or the Regional Transportation Plan.

Staff Time: 5 Person Months

Funding: FHWA PL Carryover, LTF Planning - \$63,700

1630 GIS WEB PAGE/INTERNET APPLICATION

Purpose: To maintain a GIS based website for downloading and displaying maps produced by MDSS. This website includes an interactive mapping tool that utilizes MDSS GIS data and is usable by all member jurisdictions and the public.

Staff Time: 4 Person Months

Funding: FHWA PL Carryover, LTF Planning - \$49,500

1645 SAN JOAQUIN VALLEY BLUEPRINT

Purpose: The San Joaquin Valley Regional Blueprint will provide a planning process and products to support long-range planning for the eight San Joaquin Valley MPO's and compliment the work of the San Joaquin Valley Partnership.

Staff Time: .5 Person Months

Funding: Blueprint Planning Grant, MCAG Other - \$18,000

1655 REGIONAL TRANSPORTATION IMPACT FEE (RTIF)

Purpose: To administer a regional transportation impact fee (RTIF) program consistent with state law (Government Code 66000) that will mitigate new development's impact upon the regional transportation system.

Staff Time: .75 Person months

Funding: RTIF - \$19,300

1665 REGIONAL TRANSPORTATION IMPROVEMENT PROGRAM (RTIP)

Purpose: To coordinate local planning efforts with other regional, State, and Federal agencies, and to monitor and respond to policies that will affect the development and the implementation of the Regional Transportation Plan and the Regional Transportation Improvement Program. To monitor the implementation of State Transportation Improvement Program projects in Merced County, including project delivery, timely use of funds, and compliance with State law and the California Transportation Commission's guidelines.

Staff Time: 5.5 Person Months

Funding: PPM - \$105,400

1670 TRANSPORTATION DEMAND MANAGEMENT/RIDESHARE

Purpose: To encourage and promote improved air quality, congestion reduction, and energy conservation by the reduction of single-occupancy vehicle trips through the implementation of programs designed to provide alternatives for commuters within Merced County.

Staff Time: 1.75 Person Months - Contract with Commute Connection \$50,000

Funding: CMAQ - \$73,100

1672 SB 375 MODEL IMPROVEMENT

Purpose: To participate in the development of a short range and long range San Joaquin Valley model improvement plan that will improve each San Joaquin Valley MPO travel model's sensitivity to smart growth strategies, in response to the requirements of SB 375.

Staff Time: 4.75 Person Months

Funding: FHWA PL Carryover, MCAG Other - \$66,600

1674 ALTERNATIVE MODES PLANNING

Purpose: To prepare , bicycle plans to identify needed improvements to encourage alternative modes of transportation.

Staff Time: 2. 5 Person Months

Funding: FHWA PL Carryover, MCAG Other - \$31,600

1680 TRANSPORTATION EXPENDITURE PROGRAM

Purpose: Update the Transportation Expenditure Plan for Merced County through an aggressive public participation process.

Staff Time: .5 Person Months - Consultant Survey \$25,000

Funding: LTF Planning - \$43,000

1685 TRANSPORTATION DEVELOPMENT ACT FUND ADMINISTRATION

Purpose: To administer the allocation of monies from the Local Transportation Fund (LTF) and State Transit Assistance Fund (STAF) to member entities.

Staff Time: 2.5 Person Months - Audit \$26,000

Funding: TDA Admin - \$62,100

MERCED COUNTY ASSOCIATION OF GOVERNMENTS
FY 2011/2012
OVERALL WORK PROGRAM
COMPREHENSIVE PLANNING

Summary: The Comprehensive Planning Work Program deals with those work elements of the MCAG operation not directly related to transportation, although transportation may be involved in each of the Comprehensive Planning Work Elements.

1810 GRANT DEVELOPMENT

Purpose: To provide grant writing services to MCAG member jurisdictions, other public agencies, and the Recycling Market Development Zone. To provide a directory of grant resources through the MCAG website.

Staff Time: 6 Person Months

Funding: Solid Waste Enterprise, LTF Planning, MCAG Other - \$82,200

1815 GRANT ADMINISTRATION

Purpose: To assist in the implementation of MCAG's Grant Development Program. This Work Element also provides funding for the management of all other grant-related services provided by MCAG to member jurisdictions.

Staff Time: .5 Person Months

Funding: MCAG Other - \$20,000

1824 CONTINUUM OF CARE PLAN UPDATE

Purpose: To provide comprehensive planning services to the region to attract resources with which to create economic self-sufficiency for Merced County homeless persons.

Staff Time: 6.5 Person Months

Funding: Merced County, City of Merced - \$60,000

**1953 LOS BANOS NSP DOWN PAYMENT ASSISTANCE PROGRAM
ADMINISTRATION**

Purpose: To administer and implement the City of Los Banos' Neighborhood Stabilization Program (NSP) with NSP program income funds. These funds will be used to purchase foreclosed homes, complete repairs as need and sell to qualified program participants. Funds may also be used for down payment assistance and gap financing for the purchase of foreclosed homes.

Staff Time: 5.5 Person Months

Funding: City of Los Banos - \$65,000

1975 ABANDONED VEHICLE ABATEMENT (AVA)

Purpose: The purpose of this program is to establish a Service Authority for the abatement of abandoned vehicles in Merced County pursuant to Section 22710 VC. MCAG will setup and administer the Abandoned Vehicle Abatement program. The program is scheduled to begin on July 1, 2009. The \$1 fee collected by DMV on each vehicle registration will begin to be collected and expenses can be incurred at that time. Money received by the Authority shall be distributed quarterly to participating agencies according to the agreed formula.

Staff Time: .5 Person Months

Funding: MCAG Other - \$5,000

1980 SERVICE AUTHORITY FOR FREEWAY EMERGENCIES (SAFE) / 511

Purpose: To maintain and upgrade a Service Authority for Freeway Emergencies (SAFE) call box program in Merced County; also, to participate in a San Joaquin Valley plan to establish 511 call service for travelers.

Staff Time: .75 Person Months

Funding: SAFE - \$70,300

1986 ATWATER/MERCED EXPRESSWAY PROJECT

Purpose: This work element will develop an institutional and financial strategy to implement the project selected in the Atwater/Merced Expressway PA&ED.

Staff Time: 1 Person Months - Consultant Services \$20,000

Funding: RTIF - \$38,200

1990 ONE VOICE LEGISLATIVE PROGRAM

Purpose: To advocate for or against state and federal legislative projects, programs, and policies that would affect the residents of Merced County.

Staff Time: 1.25 Person Months

Funding: Member Contributions, MCAG Other - \$80,000

2100 REGIONAL WASTE MANAGEMENT AUTHORITY

Purpose: To assist in the implementation of the Merced County Integrated Waste Management Plan and the Source Reduction and Recycling Elements, through the provision of administrative and planning assistance to the Regional Solid Waste Management Authority Board of Directors and the Regional Waste Management Authority for Merced County.

Staff Time: 3.5 Person Months

Funding: Solid Waste Enterprise - \$81,000

2200 REGIONAL WASTE MANAGEMENT BOARD RECYCLING AND PUBLIC EDUCATION PROGRAM

Purpose: Initiated in 1991, this element provides a county wide public education program that promotes awareness and education to residents of Merced County regarding the importance of participation in source reduction, recycling, and other diversion efforts. The element also follows guidelines for these activities as outlined in each jurisdiction's Source Reduction and Recycling Element (SRRE), on file with the California Integrated Waste Management Board (CIWMB). The SRRE is required as a result of the 1989 Integrated Waste Management Act, which requires each jurisdiction to reduce the amount of tonnage going to the landfill by 50%. This diversion goal was to be reached by 2000. The tonnage amount is adjusted annually for population increase, sales tax revenues, and employment figures. The Board approved a diversion rate of 71% in 2007.

The Regional Waste Management Board Recycling and Public Education Program provides outreach services appropriate to all segments of the community and jurisdictions. In addition, the program provides technical support, as requested by jurisdictions and public agencies, in the promotion of new and existing programs related to the establishment and administration of recycling, hauling contracts, and proper disposal of unwanted materials.

Staff Time: 11.75 Person Months

Funding: Solid Waste Enterprise \$112,700

2210 – CALRECYCLE GRANT FUNDED JURISDICTION PROJECTS

Purpose: To assist in the implementation of Department of Resources Recycling and Recovery (CalRecycle) grant funded programs meant to promote the recycling of California Refund Value (CRV) containers and litter abatement. These programs are selected by member jurisdictions and must have measurable results.

Staff Time: .75 Person Months

Funding: DOC - \$22,900

**3100 TRANSIT JOINT POWERS AUTHORITY FOR MERCED COUNTY
TRANSIT ADMINISTRATION**

Purpose: To provide administrative assistance, grant preparation, and quarterly reporting to the Federal Transit Administration and Caltrans on behalf of the Transit Policy Board and the Transit Joint Powers Authority for Merced County (TJPAMC).

Staff Time: 21.25 Person Months

Funding: TJPAMC - \$293,500

4100 MERCED DATA SPECIAL SERVICES (MDSS) ACTIVITIES

Purpose: To provide a legal entity whereby products related to services already provided by MCAG may be sold to the public. Those products currently include specialized maps provided by the GIS department.

Staff Time: .5 Person Months

Funding: MDSS - \$7,000

**6100 YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM (YARTS)
MANAGEMENT ACTIVITIES**

Purpose: Provide planning and administrative services, through contract, to the Yosemite Area Regional Transportation System (YARTS) Joint Powers Authority, including oversight of all of the day-to-day operations of the transit system.

Staff Time: 14.75 Person Months

Funding: YARTS - \$173,500

MERCED COUNTY ASSOCIATION OF GOVERNMENTS
DRAFT FY 2011/2012 OVERALL BUDGET & WORK PROGRAM
FUNDING AND WORK HOUR SUMMARY

Work Element	Total	FHWA PL *	FTA Sec. 5303*	TDA Admin	LTF Planning	SAFE*	Discretionary Planning Grant	PPM	RTIF	CMAQ	City of Los Banos	MCAG OTHER	Staff Months
TRANSPORTATION PLANNING		(Includes Carry-Over)	(Includes Carry-Over)										
1200 Citizen Part. & Coord.	\$ 479,835	\$399,150	\$22,695		\$17,990							\$40,000	29.50
1460 RTP	\$ 27,200	\$21,336						\$5,864					1.50
1470 Air Quality Planning	\$ 13,700		\$12,129		\$1,571								1.00
1520 FTIP	\$ 110,000	\$3,464						\$106,536					7.75
1530 Traffic Modeling	\$ 32,000	\$28,330			\$3,670								2.25
1538 High Speed Rail Coordination	\$ 12,500		\$11,066		\$1,434								0.75
1560 SJ Valley Trans Coord.	\$ 76,400		\$53,914		\$3,759							\$18,727	2.75
1565 Legislative Plan	\$ 21,000	\$18,591			\$2,409								1.50
1570 Short Range Transit Plan (SRTP)	\$ 123,400						\$100,000					\$23,400	1.75
1610 GIS Maintenance	\$ 318,600	\$282,057			\$36,543								26.00
1630 GIS Development	\$ 63,700	\$56,394			\$7,306								5.00
1630 GIS Web Page/Internet	\$ 49,500	\$43,822			\$5,678								4.00
1645 San Joaquin Valley Blueprint	\$ 18,000											\$18,000	0.50
1655 Regional Trans Impact Fee (RTIF)	\$ 19,300								\$19,300				0.75
1665 RTIP	\$ 105,400							\$105,400					5.50
1670 Alternative Modes Program - Ride	\$ 73,100									\$73,100			1.75
1672 SB 375 Model Improvement	\$ 66,600	\$58,961										\$7,639	4.75
1674 Alternative Modes Planning	\$ 31,600	\$27,975										\$3,625	2.50
1680 LTA/TEP	\$ 43,000				\$43,000								0.50
1685 TDA Administration	\$ 62,100			\$62,100									2.50
Subtotal Transportation	\$1,746,935	\$940,080	\$99,804	\$62,100	\$123,360	\$0	\$100,000	\$217,800	\$19,300	\$73,100	\$0	\$111,391	102.50
COMPREHENSIVE PLANNING													
1810 Grant Development	\$ 82,200				\$10,000							\$72,200	6.00
1815 Grant Administration	\$ 20,000											\$20,000	0.50
1824 Continuum of Care Plan Update	\$ 60,000											\$60,000	6.50
1953 Los Banos NSP	\$ 65,000										\$65,000		5.50
1975 Abandoned Vehicle Abatement (A)	\$ 5,000											\$5,000	0.50
1980 SAFE	\$ 70,300					\$70,300							0.75
1986 Atwater/Merced Expressway Proje	\$ 38,200						\$38,200						1.00
1990 One Voice Legislative Program	\$ 80,000											\$80,000	1.25
2100 SWPB	\$ 81,000											\$81,000	3.50
2200 SWAB Public Ed	\$ 112,700											\$112,700	11.75
2210 CRV Recycling	\$ 22,900											\$22,900	0.75
3100 Transit Policy Board	\$ 293,500											\$293,500	21.25
4100 MDSS, Inc.	\$ 7,000											\$7,000	0.50
6100 YARTS	\$ 173,500											\$173,500	14.75
Subtotal Comprehensive Planning	\$1,111,300	\$0	\$0	\$0	\$10,000	\$70,300	\$0	\$38,200	\$0	\$0	\$65,000	\$927,800	74.50
TOTAL MCAG PROGRAM	\$2,858,235	\$940,080	\$99,804	\$62,100	\$133,360	\$70,300	\$100,000	\$256,000	\$19,300	\$73,100	\$65,000	\$1,039,191	177

* Utilizes Carryover Funds

OVERALL BUDGET
Fiscal Year 2011/2012
Merced County Association of Governments

<u>INCOME</u>	<u>FY 2010/11</u>	<u>FY 2011/12</u>
	<u>BUDGETED</u>	<u>BUDGETED</u>
10000 Salaries & Employee Benefits		
10110 Salaries & Wages-Permanent	\$ 1,320,000	\$ 1,350,727
10111 Overtime-Permanent Employees	\$ -	\$ -
10150 Salaries & Wages-Extra Help	\$ 157,300	\$ 157,300
10210 Retirement	\$ 197,900	\$ 202,700
10220 FICA	\$ 13,000	\$ 13,500
10230 Medicare	\$ 24,000	\$ 24,000
10300 Insurance-Employee Group	\$ 276,000	\$ 220,300
10350 Insurance-Unemployment	\$ 5,500	\$ 6,800
10360 Insurance-Workman's Comp.	\$ 24,000	\$ 27,700
Subtotal	\$ 2,060,990	\$ 2,003,027
20000 Services & Supplies		
20600 Communications	\$ 14,000	\$ 14,000
20940 Household Expense-Janitorial	\$ 9,500	\$ 9,500
21000 Insurance-Other	\$ 28,500	\$ 28,500
21200 Maintenance-Equipment	\$ 6,000	\$ 6,000
21210 Maintenance-Equipment-Auto	\$ 500	\$ 500
21300 Maintenance-Structure	\$ 2,000	\$ 17,000
21500 Membership	\$ 8,500	\$ 8,500
21700 Office Expense-General	\$ 62,750	\$ 50,000
21701 Office Expense-Equipment	\$ 1,000	\$ 1,000
21800 Professional & Special Services	\$ 798,726	\$ 404,125
21805 Professional & Special Services-Audit	\$ 66,500	\$ 66,500
21900 Publications & Legal Notices	\$ 1,250	\$ 1,450
22000 Rents & Leases-Equipment	\$ 32,000	\$ 32,000
22100 Rents & Leases-Structure & Grounds	\$ 19,394	\$ 19,394
22305 Special Department Expense	\$ 247,000	\$ 134,273
22500 Transportation & Travel	\$ 36,000	\$ 44,466
22600 Utilities	\$ 12,000	\$ 12,000
Subtotal	\$ 1,345,620	\$ 849,208
70000 Contingencies		
74000 Provision for Contingencies	\$ 6,000	\$ 6,000
80000 Fixed Assets		
83700 Equipment	\$ 33,000	\$ -
Total Budget Unit 91100	\$ 3,445,610	\$ 2,858,235

OVERALL BUDGET
Fiscal Year 2011/2012
Merced County Association of Governments

<u>INCOME</u>	<u>FY 2010/11</u>	<u>FY 2011/12</u>
	<u>BUDGETED</u>	<u>BUDGETED</u>
Federal Highway Admin. - Metropolitan Planning Funds (PL) Carryover (estimated)	\$ 868,899	\$ 940,080
CALTRANS Discretionary Planning Grant	\$ 100,000	\$ 100,000
Federal Transit Administration - Sec. 5303	\$ 68,846	\$ 99,804
CALTRANS State Planning & Research (SP&R)	\$ -	\$ -
CMAQ	\$ 89,415	\$ 73,100
Regional Improvement Program (PPM)	\$ 638,484	\$ 256,000
Transportation Development Act - Admin. and Audits (99233.1 Public Utilities Code)	\$ 62,100	\$ 62,100
Transportation Development Act - Planning Allocations (Cities & County for Planning)	\$ 133,360	\$ 133,360
California Department of Conservation	\$ 45,000	\$ 22,900
SAFE (Service Authority for Freeway Emergencies)	\$ 139,500	\$ 70,300
RTIF	\$ 8,000	\$ 19,300
SAFETEALU (TEA)	\$ 57,600	\$ -
Blueprint Planning Grant	\$ 81,452	\$ 14,040
Solid Waste Advisory Board / Public Ed. / Grant Development	\$ 172,700	\$ 223,700
Transit JPA	\$ 131,000	\$ 293,500
City of Los Banos	\$ 65,000	\$ 65,000
City of Atwater	\$ 100,000	\$ -
In-kind	\$ -	\$ -

OVERALL BUDGET
Fiscal Year 2011/2012
Merced County Association of Governments

<u>INCOME</u>		<u>FY 2010/11 BUDGETED</u>	<u>FY 2011/12 BUDGETED</u>
<u>Contributions</u>	<u>1-1-10 Percent</u>	<u>FY 10/11</u>	<u>FY 11/12</u>
Atwater	10.74%	\$ 20,831	\$ 15,805
Dos Palos	1.95%	\$ 3,814	\$ 2,871
Gustine	2.03%	\$ 3,961	\$ 2,989
Livingston	5.44%	\$ 10,612	\$ 8,001
Los Banos	14.09%	\$ 27,553	\$ 20,740
Merced	31.33%	\$ 61,303	\$ 46,117
Merced County	34.43%	\$ 67,126	\$ 50,677
	100.00%	\$ 195,200	\$ 147,200
5304 Transit Technical Planning (Yarts)		\$ 92,500	\$ -
Local Other		\$ 96,000	\$ 133,951
Transit LTF		\$ 23,200	\$ 23,400
MDSS, Inc.		\$ 42,000	\$ 7,000
YARTS Authority		\$ 180,064	\$ 173,500
TOTAL		<u><u>\$ 3,402,320</u></u>	<u><u>\$ 2,858,235</u></u>

MERCED COUNTY ASSOCIATION OF GOVERNMENTS
 FY 2011/2012
 MEMBER CONTRIBUTION SCHEDULE

Population			Contributions		Local Transportation Funds **	
Estimate*	%		FY 2010/2011	FY 2011/12	FY 2010/2011	FY 2011/2012
Atwater	27755	10.74%	\$ 20,831	\$ 15,805	\$ 14,230	\$ 14,319
Dos Palos	5041	1.95%	\$ 3,814	\$ 2,871	\$ 2,605	\$ 2,601
Gustine	5250	2.03%	\$ 3,961	\$ 2,989	\$ 2,706	\$ 2,709
Livingston	14051	5.44%	\$ 10,612	\$ 8,001	\$ 7,250	\$ 7,250
Los Banos	36421	14.09%	\$ 27,553	\$ 20,740	\$ 18,824	\$ 18,790
Merced	80985	31.33%	\$ 61,303	\$ 46,117	\$ 41,884	\$ 41,781
Merced County	88992	34.43%	\$ 67,126	\$ 50,677	\$ 45,860	\$ 45,912
TOTAL	258495	100.00%	\$ 195,200	\$ 147,200	\$ 133,360	\$ 133,360

* Dept of Finance as of 1/1/10, Report E-1

** LTF includes \$10,000 for Grant Writing Support.



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Honorable Mayor & City Council Members

FROM: Mark Fachin, P.E., Public Works Director/City Engineer *Mark Fachin*

DATE: April 6, 2011

SUBJECT: 2010-2011 Disadvantaged Business Enterprise Program Update

TYPE OF REPORT: Public Hearing

Recommendation:

Conduct a Public Hearing regarding the City of Los Banos 2010-2011 Disadvantaged Business Enterprise (DBE) Program update, and following consideration of public comment, adopt a Resolution accepting the 2010-2011 DBE Program update and 0.396% DBE participation goal.

Discussion:

The 2010-2011 proposed program update sets Los Banos' DBE participation goal for Department of Transportation (DOT) assisted contracts at 0.396%. This goal was developed by comparing the number of available DBE's in Los Banos' market area, the total number of firms available to perform the work needed for Los Banos' DOT funded projects, and the City's ability to attain its previous DBE goals. An analysis of the methodology that led to the development of this goal is attached.

DOT is responsible for ensuring that local agency DBE programs are in compliance with Federal Law. The City of Los Banos 2010-2011 DBE Program update has been reviewed and accepted by Caltrans. A Resolution by the City Council accepting the DBE Program update and participation goal is one of the steps to completing the annual process. A Public Hearing is also required to obtain public comments. The Public Hearing was publicly noticed in the Los Banos Enterprise on March 25, 2011.

Fiscal Impact:

There is no financial obligation to the City.

Reviewed by:



Steve Rath, City Manager

Attachments:

Resolution

DBE Annual Submittal Form for the City of Los Banos

Caltrans DBE Acceptance Letter

2010-2011 Base Figure Determination Chart

DBELO Organization Chart

Public Hearing Notice

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF LOS BANOS ADOPTING THE
2010-2011 DISADVANTAGED BUSINESS
ENTERPRISE (DBE) PROGRAM UPDATE
FOR THE CITY OF LOS BANOS IN
ACCORDANCE WITH THE
REQUIREMENTS OF THE CODE OF
FEDERAL REGULATIONS**

WHEREAS, the Department of Transportation (DOT) requires that a Disadvantaged Business Enterprise (DBE) Program update and goal be adopted annually; and

WHEREAS, it is the intent of the City of Los Banos to ensure that DBE's have an equal opportunity to receive and participate in DOT assisted contracts with the City; and

WHEREAS, the City of Los Banos 2010-2011 DBE Program update has been reviewed and recommended for adoption by the California Department of Transportation.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Banos as follows:

SECTION ONE

It is the intent of the City of Los Banos that for any DOT funded contracts, DBE's shall have the opportunity to participate to the maximum extent feasible in all required aspects of procurement and contracting in accordance with 49 CFR Part 26 and other applicable statutes, regulations, and executive orders.

SECTION TWO

A goal of 0.396% DBE participation is hereby established for the City of Los Banos on all 2010-2011 DOT assisted contracts.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 6th day of April 2011, by Council Member _____ who moved its adoption, which motion was duly seconded by Council Member _____ and the Resolution adopted by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk



City of
Los Banos
Public Works Department

DBE Annual Submittal Form for the City of Los Banos

TO: CALTRANS DISTRICT 10
Sinaren Pheng, District Local Assistance Engineer

The amount of the Annual Anticipated DBE Participation Level (AADPL) and methodology are presented herein, in accordance with Title 49 of the Code of Federal Regulations, Part 26, and the State of California, Department of Transportation Disadvantaged Business Enterprise (DBE) Program Plan.

The City of Los Banos (CITY) submits our AADPL information. We have established an AADPL of .396% for the federal fiscal year 2010/2011, beginning on October 1, 2010 and ending on September 30, 2011.

Methodology

The methodology used to determine the appropriate AADPL conforms to Section 9.7 of the Local Assistance Procedures Manual and is included as Attachment 1.

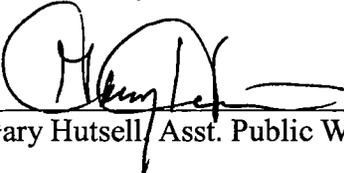
Disadvantaged Business Enterprise Liaison Officer (DBELO)

The CITY's DBELO for the 2010/2011 federal fiscal year is Gary Hutsell. Mr. Hutsell can be contacted at the City of Los Banos Public Works Department, 411 Madison Avenue, Los Banos, CA 93635, ph (209) 827-7056, email gary.hutsell@losbanos.org.

Prompt Pay

Federal Regulation (49 CFR 26.29) requires one of three methods to be used in federal-aid contracts to ensure prompt and full payment of any retainage, kept by the prime contractor or subcontractor, to a subcontractor. (Attachment 2 is a listing of the three methods. On the attachment, CITY has designated which prompt payment provision it will use.)

Submitted by:



Gary Hutsell, Asst. Public Works Director

February 2, 2011
Date

(Attachment 1)

Exhibit 9-B Local Agency DBE Annual Submittal Form

TO: CALTRANS DISTRICT 10
District Local Assistance Engineer

The amount of the Annual Anticipated DBE Participation Level (AADPL) and methodology are presented herein, in accordance with Title 49 of the Code of Federal Regulations (CFR), Part 26, and the State of California, Department of Transportation Disadvantaged Business Enterprise (DBE) Program Plan.

The City of Los Banos, Merced County, Central California submits our AADPL information. We have established an AADPL of .396 % (0% Race Neutral; .396% Race Conscious) for the Federal Fiscal Year 2010 /2011, beginning on October 1 and ending on September 30.

Methodology

The methodology used to determine the DBE base figure for the City of Los Banos was based on respective market areas, types of work, and total dollars. The information used in the formula was extracted from the Census Bureau Data and the DBE Directory. This information was applied to a formula consisting of the number of DBEs in a work category divided into the number of all firms in the same work category multiplied by the total dollars. The City of Los Banos will have two (2) projects that relate to the DBE program for the fiscal year 2010-2011, a Safe Routes to School project and a CMAQ project.

The data source used to derive the numerator was the Directory of Certified DBE Firms found at

<http://www.dot.ca.gov/ucp/GetLicenseForm.do>.

The data source used to derive the denominator was the U.S. Census Bureau County Business Patterns at

<http://censtats.census.gov/cgi-bin/cbpnaic/cbpsel.pl>.

Disadvantaged Business Enterprise Liaison Officer (DBELO)

Gary Hutsell
Assistant Public Works Director
City of Los Banos
Public Works Department
411 Madison Avenue
Los Banos, CA 93635
(209) 827-7056 – Office
(208) 827-7069 – Fax
Gary.hutsell@losbanos.org

Planned Race-Neutral Measures

The City of Los Banos plans to meet DBE requirements by incorporating the stated goals into the published contract for the named project. A review of submitted contract proposals will be conducted by the City of Los Banos to ensure the Good Faith Efforts have been followed.

Prompt Pay

The project manager for the City of Los Banos will be the oversight authority for ensuring that all subcontractors, including DBEs will receive prompt payment. The City of Los Banos will hold retainage from the prime contractor for the appropriate length of time to ensure all subcontractors are paid in a timely manner.



(Signature)

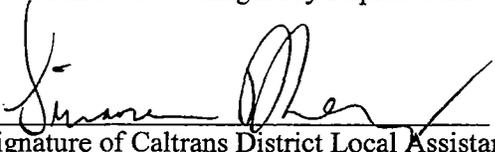
2.1.11

Date

Steve Rath, City Manager
ADMINISTERING AGENCY
(Authorized Governing Body Representative)

(209) 827-7000

Phone Number



(Signature of Caltrans District Local Assistance Engineer [DLAE])

2/22/11

Date

(Attachment 2)

Prompt Payment of Withheld Funds to Subcontractors

Federal regulation (49 CFR 26.29) requires one of the following three methods be used in federal-aid contracts to ensure prompt and full payment of any retainage kept by the prime contractor or subcontractor to a subcontractor.

Please check the box of the method chosen by the local agency to ensure prompt and full payment of any retainage.

- Method 1:** No retainage will be held by the agency from progress payments due to the prime contractor. Prime contractors and subcontractors are prohibited from holding retainage from subcontractors. Any delay or postponement of payment may take place only for good cause and with the agency's prior written approval. Any violation of these provisions shall subject the violating contractor or subcontractor to the penalties, sanctions, and other remedies specified in Section 7108.5 of the California Business and Professions Code. This requirement shall not be construed to limit or impair any contractual, administrative, or judicial remedies, otherwise available to the contractor or subcontractor in the event of a dispute involving late payment or nonpayment by the contractor, deficient subcontractor performance, and/or noncompliance by a subcontractor. This clause applies to both DBE and non-DBE subcontractors.
- Method 2:** No retainage will be held by the agency from progress payments due the prime contractor. Any retainage kept by the prime contractor or by a subcontractor must be paid in full to the earning subcontractor in 30 days after the subcontractor's work is satisfactorily completed. Any delay or postponement of payment may take place only for good cause and with the agency's prior written approval. Any violation of these provisions shall subject the violating contractor or subcontractor to the penalties, sanctions, and remedies specified in Section 7108.5 of the California Business and Professions Code. This requirement shall not be construed to limit or impair any contractual, administrative, or judicial remedies, otherwise available to the contractor or subcontractor in the event of a dispute involving late payment or nonpayment by the contractor, deficient subcontractor performance, and/or noncompliance by a subcontractor. This clause applies to both DBE and non-DBE subcontractors.
- Method 3:** The agency shall hold retainage from the prime contractor and shall make prompt and regular incremental acceptances of portions, as determined by the agency of the contract work and pay retainage to the prime contractor based on these acceptances. The prime contractor or subcontractor shall return all monies withheld in retention from all subcontractors within 30 days after receiving payment for work satisfactorily completed and accepted including incremental acceptances of portions of the contract work by the agency. Any delay or postponement of payment may take place only for good cause and with the agency's prior written approval. Any violation of these provisions shall subject the violating prime contractor to the penalties, sanctions, and other remedies specified in Section 7108.5 of the California Business and Professions Code. This requirement shall not be construed to limit or impair any contractual, administrative, or judicial remedies otherwise available to the contractor or subcontractor in the event of: a dispute involving late payment or nonpayment by the contractor; deficient subcontractor performance and/or noncompliance by a subcontractor. This clause applies to both DBE and non-DBE subcontractors.

DEPARTMENT OF TRANSPORTATION
DISTRICT 10
P.O. BOX 2048, STOCKTON, CA 95201
(1976 E. DR. MARTIN LUTHER KING JR. BLVD. 95205)
PHONE (209) 948-7933
FAX (209) 948-3820
TTY 711

COPY



*Flex your power!
Be energy efficient!*

February 22, 2011

File # (5160) City of Los Banos

Gary Hutsell
411 Madison Avenue
Los Banos, CA 93635

Subject: **2010 – 2011 DBE ANNUAL SUBMITTAL (EXHIBIT 9-B)**

The City of Los Banos' Disadvantaged Business Enterprise Annual Submittal (Exhibit 9-B) for 2010 – 2011 has been reviewed and accepted by the California Department of Transportation (Caltrans). The City of Los Banos has two federal projects for this coming fiscal year.

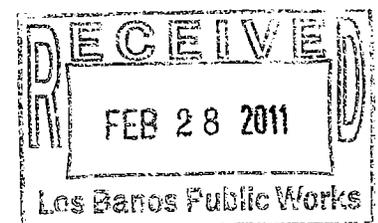
Local Assistance Procedures Manual (LAPM) require local agencies receiving federal-aid highway funds to implement the California Department of Transportation Disadvantaged Business Enterprise Program Plan and commit to comply with all the prescribed responsibilities explained in the regulations as outlined in the Local Assistance Procedures Manual (Section 9.7).

If you have any questions, please contact Jackie Smith at (209) 948-7933.

Sincerely,

A handwritten signature in black ink, appearing to read "Sinaren Pheng".

SINAREN PHENG, Chief
Office of Local Assistance



City of Los Banos

2010-2011 AADPL Race Disadvantaged Business Enterprise Base Figure Determination

NAICS Codes	NAICS Description	Bid Group Item	Estimated Cost	Percentage of Total Cost	CUCP Firms	CBP Firms	Available DBE
237310	Highway, Street & Bridge Construction	Sign Construction	\$214,000.00	37.70%	8	64	0
541330	Engineering Services	Preliminary Engineering	\$129,000.00	62.30%	176	190	2
		Totals	\$343,000.00	100.00%	184	254	2

Available Firms from Census Bureau's 2007 Database

NAICS Code	NAICS Description	Fresno County	Madera County	Mariposa County	Merced County	San Benito County	Stanislaus County	Total
27310	Highway, Street & Bridge Construction	34	2	2	5	2	19	64
541330	Engineering Services	109	9	3	8	3	58	190



City of Los Banos DBELO Organization

City of Los Banos
City Council



City Manager
Steve Rath



Public Works
Director/City Engineer
Mark Fachin



Assistant Public Works Director
Gary Hutsell – DBELO
411 Madison Avenue, Los Banos, CA 93635
(209) 827-7056
gary.hutsell@losbanos.org

**CITY OF LOS BANOS
NOTICE OF PUBLIC HEARING**

**TO RECEIVE PUBLIC COMMENT ON THE CITY OF LOS BANOS'
DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM UPDATE AND
CONSIDER A RESOLUTION ACCEPTING THE 2010-2011 DBE PROGRAM UPDATE
AND 0.396% DBE PARTICIPATION GOAL**

Where:	City Council Chambers 520 J Street Los Banos, California	When:	Wednesday, April 6, 2011 7:00 PM
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Notice is hereby given that the City of Los Banos will conduct a Public Hearing to receive public comment and consider a Resolution accepting the 2010-2011 Disadvantaged Business Enterprise (DBE) Program update and 0.396% DBE participation goal. The City of Los Banos has established a DBE Program in accordance with the U.S. Department of Transportation (DOT), 49 CFR Part 26.

It is the policy of the City of Los Banos to ensure that DBE's have an equal opportunity to receive and participate in DOT assisted contracts. It is also our policy:

1. To create a level playing field on which DBE's can compete fairly for DOT assisted contracts;
2. To ensure that the DBE Program is narrowly tailored in accordance with applicable law;
3. To ensure that only firms that fully meet 49 CFR Part 26 eligibility standards are permitted to participate as DBE's;
4. To help remove barriers to the participation of DBE's in DOT assisted contracts; and
5. To assist the development of firms that can compete successfully in the market place outside the DBE Program.

The City of Los Banos' proposed goal for Federal Fiscal Year 2010-2011 is 0.396% of Federal financial assistance received in DOT assisted contracts. The Public Hearing will be held at the regular meeting of the Los Banos City Council on Wednesday, April 6, 2011 at 7:00 p.m. in the Council Chambers at Los Banos City Hall located at 520 J Street, or as near as possible thereafter, at which time and place interested persons may appear and be heard thereon. Questions regarding the above-referenced item may be directed to Gary Hutsell, Assistant Public Works Director at the Public Works Department, 411 Madison Avenue or at (209) 827-7056.

All interested persons will be given an opportunity to comment on this item at the Public Hearing. In addition, written comments may be submitted to the City Council at or prior to the hearing, mailed to 411 Madison Avenue, Los Banos, CA 93635, Attention: Gary Hutsell, Assistant Public Works Director. Please reference hearing title and date of hearing in any correspondence. If no comments are received prior to or on the above date, it will be assumed that no comment is being offered. The public is also informed that should the action by the City Council be challenged in court, court testimony may be limited to only those issues raised at the Public Hearing, or by written correspondence received at or prior to the Public Hearing, per Government Code Section 65009.

It is the intention of the City to comply with the Americans with Disabilities Act (ADA). If you require special assistance beyond what is normally provided, the City will attempt to accommodate you in every reasonable manner. Please contact the City Clerk's Office at (209) 827-7000 at least 48 hours prior to the meeting to inform us of your particular needs.

Comments received during the public participation process may be reviewed by the California Department of Transportation.

THE CITY OF LOS BANOS
GARY HUTSELL
ASSISTANT PUBLIC WORKS DIRECTOR

Legal March 25, 2011



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Honorable Mayor & Council Members
FROM: Paula Fitzgerald, AICP, Planning Director
DATE: April 6, 2011
SUBJECT: Minor Revisions to the Recently Adopted Comprehensive Zoning Ordinance Update Amending Title 9, Chapter 3 of the Los Banos Municipal Code

TYPE OF REPORT: Public Hearing

Recommendation:

Staff recommends that the City Council receives the staff report on the Minor Amendment to the Zoning Ordinance (Sec 9-3 of the Los Banos Municipal Code), open the public hearing, take public comment, waive the first reading and introduce the Zoning Ordinance.

Discussion:

A couple of years ago planning staff began working on a comprehensive update to the Zoning Ordinance (Title 9, Chapter 3 of the Los Banos Municipal Code). In December of 2009, staff was directed to make changes to the digital sign portion of the Ordinance separate from the comprehensive update. The applicable portions of the Ordinance were pulled out and the amendment was prepared. The digital sign provisions were recommended for approval by the Planning Commission and approved by the City Council on Jan. 20, 2010. In the mean time, the comprehensive update was still being prepared off of the existing Zoning Ordinance, without the newly approved electronic sign portion being incorporated. The City went through all the public hearings, the formation of a sign committee, legal review and ultimately adoption of the Zoning Ordinance and Map. Once the document came back from the printing company it was

noticed that the newly approved digital sign portion was inadvertently left out of portions of the Ordinance.

Furthermore, there were no changes completed for the Public Facilities Zoning Classification and this information was in Article 31 of Title 9, Chapter 3 and the other Zoning Classifications are in Articles 4-16 so it was logical to move Public Facilities to Article 16 and move the Unclassified Classification to Article 31 as Unclassified is a Classification that is rarely used and this switch did not require renumbering of the entire document.

The proposed changes do not result in any changes to City policies or regulations and would not result in any direct or indirect physical impact that would lead to additional CEQA analysis.

On March 9, 2011 the Planning Commission held a public hearing on this matter and recommended approval.

Fiscal Impact:

None.

Reviewed by:



Steve Rath, City Manager

Attachments:

1. Planning Commission Resolution No. 2011-04 recommending approval
2. Ordinance No. ____ - Adopting minor revisions to the recently adopted comprehensive Zoning Ordinance update amending Title 9, Chapter 3 of the Los Banos Municipal Code
3. Public Hearing Notice

RESOLUTION NO. 2011-04

**A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY
OF LOS BANOS RECOMMENDING TO THE CITY COUNCIL
ADOPTION OF AN ORDINANCE OF THE CITY OF LOS BANOS
ADOPTING MINOR REVISIONS TO THE RECENTLY ADOPTED
COMPREHENSIVE ZONING ORDINANCE UPDATE AMENDING
TITLE 9, CHAPTER 3 OF THE LOS BANOS MUNICIPAL CODE**

WHEREAS, on October 20, 2010 the Los Banos City Council adopted Ordinance No. 1095, a Comprehensive Zoning Code update to amend Title 9, Chapter 3; and

WHEREAS, subsequent to the adoption of Ordinance No 1095 it has been discovered by staff that the provision for animated signs within the M-X, C-1, H-C, L-I and I Zoning Districts of the City were inadvertently repealed; and

WHEREAS, a public hearing notice was advertised in the Los Banos Enterprise on February 25, 2011 as required by the Los Banos Municipal Code and Government Code Section 65091; and

WHEREAS, the Los Banos Planning Commission conducted a duly noticed public hearing on minor revisions to the comprehensive zoning code update on March 9, 2011 at which time all individuals desiring to comment on the proposed ordinance were heard; and

WHEREAS, the proposed ordinance is attached hereto and incorporated herein by this reference as Attachment 1. The proposed ordinance would amend Sections 9-3.2911; 9-3.2913; 9-3.2914; 9-3.2915; 9-3.2916; and renumber Articles 16 and 31 of the Los Banos Municipal Code; and.

WHEREAS, the proposed amendments to the Los Banos Municipal Code do not propose any changes to city policies or regulations that would result in a direct or indirect physical environmental impact; therefore it has been determined that this ordinance amendment is covered by the general rule that the California Environmental Quality Act applies only to projects which have the potential for causing a significant effect on the environment pursuant to CEQA guidelines section 15601(b)(3) and is not subject to environmental review.

NOW, THEREFORE, BE IT RESOLVED by the Planning Commission of the City of Los Banos that it hereby recommends that the City Council consider and approve the attached Ordinance amending Title 9 (Zoning Ordinance) of the Los Banos Municipal Code,

The foregoing resolution was introduced at a regular meeting of the Planning Commission of the City of Los Banos held on the 9th day of March, 2011 by Planning

Commissioner _____ who moved its adoption, which motion was duly seconded by
Planning Commissioner _____, and the Resolution adopted by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

Chairman

ATTEST:

Norma Fuentes, Planning Commission Secretary

ORDINANCE NO. ____

**AN ORDINANCE OF THE CITY OF LOS BANOS
ADOPTING MINOR REVISIONS TO THE RECENTLY ADOPTED
COMPREHENSIVE ZONING ORDINANCE UPDATE AMENDING
TITLE 9, CHAPTER 3 OF THE LOS BANOS MUNICIPAL CODE**

WHEREAS, on October 20, 2010 the Los Banos City Council adopted Ordinance 1095, a Comprehensive Zoning Code update to amend Title 9, Chapter 3 of the Los Banos Municipal Code; and

WHEREAS, subsequent to the adoption of Ordinance No 1095 it has been discovered by staff that the provision for animated signs within the M-X, C-1, H-C, L-I and I Zoning Districts of the City were inadvertently repealed; and

WHEREAS, the Los Banos Planning Commission conducted a duly noticed public hearing on minor revisions to the comprehensive zoning code update on March 9, 2011 at which time all individuals desiring to comment on the proposed ordinance were heard and on March 9, 2011 the Planning Commission by Resolution 2011-04 recommended that the City Council adopt the proposed revisions to amend Title 9, Chapter 3 of the City of Los Banos Municipal Code; and

WHEREAS, the City Council conducted a duly noticed public hearing on minor revisions to the comprehensive zoning code update on _____, 2011 at which time all individuals desiring to comment on the document were heard.

The City Council of the City of Los Banos does ordain as follows:

Section 1. Subsection (f) of Section 9-3.2911 Mixed Use (M-X) is amended to read as follows:

(f) Animated signs are acceptable provided the length of display is appropriate. Each message shall be displayed for a period of at least eight (8) seconds. The sign shall remain blank (no messages or display) for at least one (1) second between displays. The messages and displays shall not appear in incremental stages or move across the changeable copy sign face. The software manufacturer and the software installer shall certify to the city that the software for the computer which controls the sign has been designed to and can only operate the sign at the approved on and off intervals.

Section 2. A new subsection (f) is added to Section 9-3.2913 General Commercial District (C-1) to read as follows:

(f) Animated signs are acceptable provided the length of display is appropriate. Each message shall be displayed for a period of at least eight (8) seconds. The sign shall remain blank (no messages or display) for at least one (1) second between displays. The messages and displays shall not appear in incremental stages or move

Section 8. To the extent that the terms and provisions of this Ordinance may be inconsistent or in conflict with the terms or conditions of any prior City ordinance, motion, resolution, rule or regulation governing the same subject, the terms of this Ordinance shall prevail with respect to the subject matter thereof and such inconsistent or conflicting provisions of prior ordinances, motions, resolutions, rules or regulations are hereby repealed.

Section 9. If any section, subsection, subdivision, paragraph, sentence, clause or phrase added by this Ordinance, or any part thereof, is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any part thereof. The City Council hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one or more subsections, subdivisions, paragraphs, sentences, clauses or phrases are declared unconstitutional, invalid or ineffective.

Section 10. The proposed amendments to the Los Banos Municipal Code do not propose any changes to city policies or regulations that would result in a direct or indirect physical environmental impact; therefore it has been determined that this ordinance amendment is covered by the general rule that the California Environmental Quality Act applies only to projects which have the potential for causing a significant effect on the environment pursuant to CEQA guidelines section 15601(b)(3) and is not subject to environmental review.

Section 11. This Ordinance shall go into effect and be in full force and operation thirty (30) days after its final passage and adoption. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be posted and published once within fifteen days after passage and adoption as may be required by law; or, in the alternative the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the Office of the City Clerk five days prior to the date of adoption of this Ordinance; and, within fifteen days after adoption, the City Clerk shall cause to be published, the aforementioned summary and shall post a certified copy of this Ordinance, together with the vote for and against the same, in the Office of the City Clerk.

Introduced by Council Member _____ and seconded by Council Member _____ on the ____ day of _____, 2011.

Passed on the ____ day of _____, 2011 by the following vote:

AYES: Council Members
NOES:
ABSENT:

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk



City of Los Banos

At the Crossroads of California

PLANNING DEPARTMENT

Date: March 25, 2011

Regarding: Notice of Public Hearing

Proposal: Los Banos Zoning Ordinance

NOTICE IS HEREBY GIVEN THAT a Public Hearing will be held by the Los Banos City Council to consider minor revisions to the comprehensive Zoning Ordinance update amending Title 9, Chapter 3 of the Los Banos Municipal Code.

A PUBLIC HEARING on this matter will be held at the next scheduled meeting of the Los Banos City Council on Wednesday, April 6, 2011 at 7:00 p.m. in the Council Chambers of Los Banos City Hall located at 520 "J" Street. Questions regarding the above-referenced item may be directed to Paula Fitzgerald, AICP, Planning Director at City Hall or at (209) 827-7000, Ext.114.

Persons wishing to provide oral comments on the described proposal may do so at this meeting or may provide written comments on this matter prior to the public meeting. Written comments may be sent by U.S. Mail or hand delivered to the City of Los Banos City Hall at 520 "J" Street, Los Banos, California 93635. If no comments are received prior to or on the above date, it will be assumed that no comments are being offered. The public is also informed that should this matter, at some future date go to court, court testimony is limited to only those issues raised at the hearings per Government Code Section 65009.

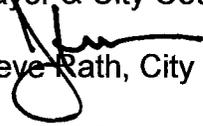
THE CITY OF LOS BANOS

Stacy Souza
Assistant Planner



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Mayor & City Council Members
FROM:  Steve Rath, City Manager
DATE: April 6, 2011
SUBJECT: Merced County Association of Governments (MCAG) Board and Agencies Staff Services Workshop Results and Proposal
TYPE OF REPORT: Non Consent Agenda

Recommendation:

As outlined in the attached March 22, 2011, letter from MCAG, staff is requesting Council's authorization to work together on a joint governmental project to study and analyze the potential for expanding joint water and waste water utility services for the benefit of the City of Los Banos and the County's Santa Nella service area. In addition, staff would also participate in joint agency discussions regarding four additional services as outlined in the MCAG letter:

- Dispatch
- Animal Control
- Economic Development
- Fleet Sharing

Mr. Jesse Brown, MCAG Executive Director will be in attendance to present the MCAG Board program proposal.

Background:

Because of economic conditions and the impact reduced tax revenues has had on all our governmental agencies, the MCAG Board Workshop focused on the exploration of

shared governmental services that may benefit from economies of scale and the ability to share or reduce cost of services.

One particular service staff believes may be an opportunity with residential development virtually at a stand still is to study the potential for a future Westside Joint Powers Authority (JPA) to provide expanded water and waste water treatment for Los Banos and the Santa Nella areas ultimately to serve build out of the City and County General Plan areas. Forming a JPA for utility services is not a new idea and has been done in many areas to provide efficient, cost effective services.

We are requesting Council approval authorizing City staff to work with County representatives and MCAG management and staff on the various services to be addressed. MCAG will provide a County wide area progress report to the City Council and MCAG Board tentatively in September as outlined in the attached letter on page 4.

As stated in the letter from the MCAG Executive Director, Jesse Brown; *“Agreeing to participate in the study is only that, and not a commitment to implementing study results. Implementation of any study results will rest solely with each City Council and the Board of Supervisors.”*

Fiscal Impact:

There is no financial impact for the scoping and studying the various processes.

Attachments:

Letter from MCAG



Merced County Association of Governments

Facilitator: Dr. Bill Mathis

Stevinson Ranch

Scribe: Janice Mathis, MA

8:00 a.m. – 2:00 p.m., Feb. 25, 2011

Notes from the MCAG Workshop

Theme: Shared Services: continuing the Journey (29 attended)

Introduction to the Day

Mayor Joan Faul welcomed the group and talked about the importance of working together – cities with the County. She introduced Dr. Bill Mathis and he turned the meeting over to Jesse Brown, Executive Director to talk about the County and Cities and where they have come today in working together. It has been a very good journey together; ownership belongs to all as the work is a joint effort.

Dr. Bill showed the video – *Did You Know...* the impact of technology today in elections, media messages – so fast and incredible. Google and Facebook age of speed.

Our responsibility is to anticipate the services needed, bridge the gap with other cities, and sharing services in order to eliminate redundancy, cost, and merge successfully with each other in the options we have before us to work with each other for our communities throughout the County. Before we can go County wide, we need to see who our neighboring cities are and see how we can work with them first.

MCAG is fortunate to have everybody at the table together, elected officials and management from all Cities and the County ; they have a joint powers authority working for them, and they have all sides interested.

Strategy for change – begin with those who are in favor; others will follow where and when they can. It's an option for those who want to be involved. Today is aimed at exploring locally where we can join and explore areas that work for them. There may be an overall strategy that all can and want to participate in. Idea is not to lever anybody.

Our premise going forward will be to take a look at some services/area, and make some assignments; locally and with entities. Some entities are more ready than others to make some moves in sharing services.

- A. Our Purpose? Expectations!**
- B. Introduce Participants/Facilitators**

C. Concentrated, Highly Productive Day

Video – You Tube – Age of Currency

How is MCAG Doing? Future?

1. Why Shared Services can work
2. Acknowledge Past Work of Managers for Lists

We're planning for September in order to be ready to start the process. There are big obstacles involved in making change for delivering services:

- Territory (mine)
- Fear of losing control and responsibility of own turf

Also there are opportunities:

- Great capacity to do other things
- More time to spend planning – and focusing on relevant things

One of our strategies is to use Gentle Pressure, Relentlessly Applied; another is to use small groups.

- **Sense of Urgency**
- **Small Groups**
- **Vision**
- **Using Common Sense – Best choices**

Ideas from the Group in sharing services?

- Waste Water – gigantic process that is ridden with federal regulations, cost to rate payers = to be a regional process
 - a. Contracting out for waste water to make regional
- Personnel Services and Facilities – such as the SKATA process

Who would be interested? Who should be invited to the table to explore small working group?

- Prison; operations of treatment plant; Atwater/Merced/Valued partners
- There is a partnership in Dos Palos; with several others
- Small community services districts that cannot carry the expense anymore
 - Cities sharing technology
 - Small CSDs do share services
 - City/County sharing special district levels – we don't have a special seat at LAFCO – we're not at the same scale = an obstacle today

Structure for moving ahead?

- Allocation; Cooperation; and Operation of the plant; and information needed – all four are topics to be discussed. Operation should be first to be discussed



Need to pick the low hanging fruit in getting started – quick wins lessens fear, lowers cost, creates trust level and creates easier next steps in moving ahead.

Consideration of Best Opportunities for Shared Services

Waste Water - Discussion with Waste Water needs to happen; maybe join forces with JPA? This could be simultaneous efforts – talk with JPA and work with neighboring cities in order to prevent a disaster. Don't want to lose the opportunity. We would work with the County also in areas of operational, management and organizational.

- Santa Nella
- Gustine
- Merced
- Los Banos
- County

How do we lay out the agenda to begin the process? Wastewater management has already been laid out; we have an interest in operations; there is a synergy and we need to focus quickly, put policies in place as we come together. If we focus on operations we'll get further more quickly. This involves all of us – not any particular area. All are invited – whether they choose to join us.

As we work in small groups we can then come together to share information with all groups. Coordinated discussions in separate smaller meetings; parallel, i.e., landfill operations. Jesse could be the conduit between all agencies, providing information. Information sharing role by Jesse to begin. Jurisdictions can let new people know what the pitfalls are and what to look out for (wastewater). The exchange of people, who to go to, all are very important. Jesse can share the knowledge. The driving force for shared services is in saving a huge amount of money for the rate payer. This is about our future, in realizing what's coming.

MCAG Agenda – Notes from the Shared Services Workshop

Threat for those working with us in losing their jobs? How will they want to work with us if they feel they are eliminating their jobs? Maybe not – they may be needed in other areas or in reassessing what they do.

Expectations of Jesse for September of this year?

- Communications being pulled together; flushing out the issues; giving timelines for goals and objectives
- From Operational, have a structure for the plan
- There has to be the communication factor so everybody is on the same page – several discussions of what's going on; have a sketch of the plan to include the special district in the plan
- Would like to know the plan
- Should have it complete
- We need to include a City Manager and/or Supervisor to explain
- To get to the point where we can determine whether we can be successful in moving forward – all should be invited
- MCAG do your homework with three or four groups; then send the invitation
- If we're successful in doing it together the rates will be lower for our rate payers – if we go it alone, rates will be higher
- Might be good to have the Regional Water/Wastewater Board be prepared – many of our districts have found out they will face tough standards that they have no ability to meet – they were asleep at the wheel and they are going to be out of luck due to the fact they didn't join the Merced group.
- Need to have an outline from the Regional Water/Wastewater Board – to bring reality to people
- We're talking about Water and Waste Water (Los Banos).

With budget cuts, what are the services we'll be short on regarding personnel that we may not be able to provide?

- a) Code enforcement
- b) Animal control
- c) Fleet management
- d) Dispatch

(San Bruno PG&E disaster created the opportunity and necessity of sharing services – city managers, police services, dispatch, fire fighters, personnel joined each other to take care of the city while the crisis was being handled = all created the plan for sharing services.)

Dispatch – Looking at east and west – this is a starting place.

- We want to look at shared services with cities and the county – for Gustine, this holds the largest savings in personnel and technology; the potential is incredible for all of us – biggest stumbling block will be with police and fire... possibly our toughest fight. Chiefs are parochial... but they are realizing that this may be something they have to do.
- Underlying issues – technology that would have to be purchased; also keeping our salaries competitive with personnel. There is a potential for lawsuits and other issues with departments. Biggest issue is that everyone wants to have their own dispatch as well as control (as in waste water).
- Atwater – We put a lot of money (mostly grant money) into this; if we can save money we are interested. We've upgraded technology in the City, we contract for IT services, our police chief is our top IT guy, when he retires, we'll lose this great expertise. Our future demands that we look at sharing services that provide cost savings. It's appealing that we wouldn't have to work so hard for a structure that provides ongoing upgrading. With dispatching it could be done anywhere.
- County – We need to have the Sheriff involved as well as the Fire Chief; they are the ones most affected. This could be located in Castle but needs to include all in the discussion.
- We could also include Highway Patrol
- Technology systems are different – this gets in the way of public safety; this is a topic we need to discuss – working in a collaborative manner.
- This has been under discussion for a long time; fire may be problematic as we all have our own fire department – this gets in the way sometimes, don't know how it would play out. I don't like the disagreements that go on between the entities; we need to work on this.
- One system works; no reason to have multiple systems.
- If we could get the dispatch handled we could even save on ambulances.
- Problems in the past have been due to the discussion getting lost in the weeds; need to stay focused.
- This does work; it's a matter of political will. These folks are going to need some help as they demonstrate to the public. The naysayers will find reasons for why public safety dispatching should be done by police.
- Our purpose has to be what's best for the County as well as the Cities.
- It all has to be based on money saved. Need to frame our discussion with state and federal in mind.
- Livingston – We've put more money in the police department; we see that dispatching could work with the County. Our problem is territorial; not with the City joining this effort.
- Atwater – with dispatch, police, fire, maybe they are meeting together but we haven't heard from them. The MCAG Board can be the catalyst in orchestrating. We each have the same problems with calling ambulance, responding with fire

MCAG Agenda – Notes from the Shared Services Workshop

truck – now we have the same problem in responding by ambulance, fire truck – we need get away from our territorial rights feelings.

- With these budget constraints and in this economy, we're very concerned.
- Need to protect our officers, getting them to the right place on time – this creates a need to share services. If we can get efficiency with less money, this is what matters with citizens and elected officials. This is the challenge – who is responsible for efficiencies and who controls the efficiencies? These are the questions.



- Need to be very incremental – one rung of the ladder at a time; and need to have all essential players involved... career security, jurisdiction efficiency, and more. Getting to that point is a long haul – need to start with our neighbors with similar situations and same challenges – and then work our way through.
- If the Board and Council are interested, they should pursue.
- Need to evaluate equipment, technology we have and what the value is.
- As we make presentations to council and boards, all grass roots are driven by their consternation of local unions, public safety, etc. Public Safety is a big deal.

Jesse – There is a trade off; our cities and county don't have the money to continue business as usual– in the case of dispatch there is a tradeoff between having a sheriff/police on the street and a voice on the phone. The voice can be from anywhere; with up to date technology regardless of size. We are going to be responsible for where we're cutting costs; we need to show how we are being more efficient throughout every community. Today, this is the first time ever that we have gotten together to discuss these values – this is a very good thing. As a group, we have all of the MCAG Governing Board and Technical Review Board at this workshop – this is a good beginning.

- We see this as a regional effort; if we all look at this as an agency rather than a department this is very helpful – has been very helpful to me today.

What should we have by September?

MCAG Agenda – Notes from the Shared Services Workshop

- The minimum would be to say to the public “Yes, we are all working together and moving forward on this. We are able to improve our services to the public for less money.”
- A JPA might need to be formed for police; at least exploratory study
- County - Make the initial start and get the players together.
- This has to be so well planned to make sure it works – for the community
 - Clear assignment for Jesse
 - This has to be made clear so we can send to our jurisdiction
 - We need to all take a look at the data together
 - Costs – Effectiveness – Options – Strategy in Communications Plan
 - To provide talking points that will be submitted to all of us
 - Need to talk in the same language, being on the same track so we’re clear with each other as we talk to our constituents
- At some point there will be a ‘leap of faith’ component – we won’t know until the decision is made and we move ahead
- There are more small cities outside our County who could be helped by this also i.e. Newman. Monterey is now faced with the same question
- Communication within the organization; the sheriff will be a key player in how his services will be provided within the county. Fire chiefs need to be involved – our talking points between city managers, council members all will be vital – must be fully communicated.
- We need to communicate the ability of this becoming a very good service
- Possibility of operating in more areas; am radio, OES, and more? Yes!

Video – You Tube – Age of Technology

Animal Control Issue – what is it

- Each community has its own; infrastructure requirements vary; requirements for response time to each city? All require staffing – this creates the cost for service. Response time mandates having officers in certain areas. Implementation is simple – political will; savings depends on what it is they want and what makes people happy.
- Basis for animal control is disease prevention. Making sure all dogs and cats are licensed and have shots – this requires a low level of service.
- Livingston contracts with the County; they will send police officers out when necessary.
- Los Banos – we cut back; we have one person full time; police officers will respond to dogs; volunteers will help sometimes.
- Two officers 1 ½ full time.
- Atwater – we’ll respond to vicious animals; pet costs are high and an ongoing problem. We get many service calls
- Merced – County has constructed a great call center; two animal control officers – one of them is on disability

MCAG Agenda – Notes from the Shared Services Workshop

- Dos Palos - Temporary and one full time; lots of paperwork to do, licenses, time consuming
- Gustine – contracts the County to euthanize; they manage it pretty well (\$50-\$60 grand annually)
- County – mixed feelings; we have stray dogs all over; response time is pretty good. Big problem with stray pit bulls and other strays; shelter is full and we're euthanizing many
- We're set up as a shelter and pet adoption agency; an education position was never filled for lack of funding. Our intent hasn't been fulfilled; euthanizing 13,000 annually; people aren't being educated; animals are breeding – pit bulls are greatly producing. No volunteers anymore at the shelter. Line staff don't have time to train volunteers to assist with placing the animals
- Biggest concern is who do we call when we have a problem? Don't know if it's the city or the county. We get told different things when we call; if it were centralized this would benefit all of us.
- We could centralize more sub-regionally – not County wide. Sharing services that would be manageable.
- Merced – most of them know to call the County. Centralization would be a challenge because folks wouldn't know where to go to pick up their animal. Sub-regionalization may be a better way to go.
- Need to educate kids in school about care of animals and what the laws are
- Might want to get volunteers involved and educate them
- May need to standardize the code of having animals licensed
- Need to contract to a third party (i.e., SEACA in south-east L.A. County – South East Area Animal Control Authority - jointly among three cities - Downey, Norwalk, and Pico Rivera, CA)
- If it's a threat, we'll take care of it immediately
- Los Banos – they have a great volunteer program
- Need to have discussion regarding regional services
- Vet services – consortium of vets with agreed to rates to reduce vet costs

Would you create a Volunteer Program?

- Gustine – this might not rise to the level for priority
- Atwater – can we study this?
- Countywide service of consortium vets to take on the services at a reduced cost?
- Contracting out Services?

Need to prioritize the items we want to discuss:

- Dispatch;
- Waste Water;
- Animal Control Services
- **Fleet Management** – Need to take a look at this service and continue work already underway with the TRB



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Mayor and City Council Members
FROM: Sonya Williams^{sw}, Accounting & Budget Supervisor
DATE: April 6, 2011
SUBJECT: Tele-Works Automated Telephone Payment and Alert System
TYPE OF REPORT: Non Consent Agenda

Recommendation:

That the City Council approve the implementation of Utilityworks and Alertworks applications, provided by Tele-Works, to utilize an automated phone payment and alert system and authorize the City Manager to execute a Master Agreement with Springbrook Software, Inc.

Background:

Currently staff manually accepts credit card payments for utilities over the phone from our customers. This process consumes staff time and is a potential liability to the City. The Utilityworks application, will allow customers to make their utility bill credit card payment over the phone using an automated system; increasing both productivity and customer service.

Discussion:

The Utilityworks application will allow our customers to make a utility payment, obtain their current account balance, and verify the last payment received all by using a touch tone phone. The user will be asked to provide account information including their account number and/or service address to activate their account. Payments may be made using a Mastercard, Visa or check. A confirmation number will be provided upon completing the transaction. These are the same services currently provided to utility customers; however,

with the utilization of Utilityworks the process will become automated. If customers are in need of further assistance while using the automated system, their call can be transferred directly to the Finance Department where staff will provide the necessary help.

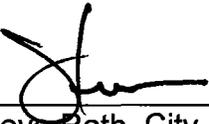
Utilityworks will be fully integrated with Springbrook Software, Inc., our current accounting program. Payments will be posted automatically to utility customer accounts. The City will be provided with a log of all payments that will be reconciled on a daily basis.

Tele-Works also provides an outbound notification system know as Alertworks. This would allow the City to make automated phone calls to its customers. This option would be utilized mainly for 48-hour utility notices. The City would replace the current practice of mailing out 48-hour courtesy notices with a courtesy phone call or email. This change in procedure will offset the subscription fee by over \$7,000 annually, reducing the cost of postage, supplies and staff time. The system allows staff to set up parameters such as message content, call scheduling, contact information management, retry attempts and answering machine detection. The notification system would also be an effective alert system for emergency and non-emergency messages.

Fiscal Impact

The annual subscription fee would be \$10,500. This includes unlimited inbound calling, and 8,000 outbound minutes. Additional outbound minutes would be charged at \$0.18 per minute. There is also a potential cost savings of approximately \$7,000 excluding staff time.

Reviewed by:



Steve Rath, City Manager

Attachment

Agreement
Resolution

SPRINGBROOK SOFTWARE, INC.
 IVR PAYMENTS ORDER FORM

Client Information					
Licensee:	City of Los Banos		Contact Email:	Sonya.silva@losbanos.org	
Licensee Contact:	Sonya Silva		Contact Phone:	209-827-7000 ext 122	
Billing Address:	520 J Street				
City:	Los Banos		State:	CA	Zip: 93635
Service Term (Pursuant to terms and conditions of the master IVR Payments Agreement)					
Term if Applicable :	12 months				
Effective Date:	At contract completion				
IVR Payments Fees					
Product Family	Type	Details	Unit Price	Qty	Fee
Utility Billing Payments and IVR	Annual	Annual Subscription for Springbrook Utility IVR			\$10,500
Utility Billing Payments and IVR	One Time	Setup Fee			Included
Utility Billing Payments and IVR	One Time	Training			Included
Utility Billing Payments and IVR	One Time	IVR Hosting Fee			Included
Utility Billing Payments and IVR	Transactions	IVR Payments for Utility Billing			\$1.00/transaction

IVR PRODUCT DESCRIPTION AND MINUTE USAGE

Springbrook Utility IVR allows customers to obtain information about their utility account, such as account balance, due date, and last payment, as well as, make a payment on their account by credit card or check. Payments are automatically posted to the Springbrook database. The caller logs in by providing their utility account number. Additional validation may optionally be required by requesting the street number of the service address. Customers will have the ability to transfer to a customer service representative during normal business hours. English and Spanish call flows are available. Agency staff have access to a web-based administration interface for configuration and reporting.

Springbrook Utility IVR also provides outbound notification functionality to allow Agency staff to send notifications via phone or e-mail to any list of customer contacts. Phone notifications can be created with basic calling parameters such as call schedule, retry attempts, and answering machine detection with static or dynamic message content using text-to-speech or the ability to upload recorded voice. An outbound message may include an option for call recipients to "Press 2" to make a payment. Outbound notification functionality is administered through a web-based interface.

Inbound IVR – Minute Usage:

- o The annual subscription fee provides full product usage and includes unlimited minutes usage throughout the annual subscription period.

Outbound IVR – Minute Usage:

- o The annual subscription fee provides full product usage and includes up to 8,000 minutes in the annual subscription period. Any usage beyond 8,000 minutes during the subscription period will be billed at \$0.18 per minute.
- o A call of thirty (30) seconds or less will be billed the same as a call of thirty (30) seconds. After the first thirty (30) seconds, calls will be billed in six (6) second increments. All call costs are rounded up to the nearest cent. There is no charge for calls that do not connect.
- o Standard and High Capacity Call Outs: The Agency can make call outs using either of two call capacities. Standard Capacity call-outs are used for delivering non-urgent messages to smaller lists of phone numbers (i.e., past due reminders). High-Volume Capacity provides the ability to place hundreds of calls simultaneously (e.g., Boil Water Notice). When using High-Volume Capacity Call-Outs, minutes are used up at a 50% higher rate than during Standard Capacity Call-Outs. For example, a 60 second high-volume outbound call-out would use 90 seconds of minutes.

Services not specifically identified by this Order Form, or identified in the Springbrook Software as Service Agreement, And Addenda are considered out of scope and may incur additional costs.

Client is responsible for all fees related to Credit Card and ACH processing, or any other services rendered from 3rd party vendors.

This order form is issued pursuant to the terms and conditions set forth in the Springbrook Web-IVR Payments Agreement and addenda thereto. Client also agrees that services not defined in this agreement or order form may incur additional costs. By signing below the client agrees to abide by the terms of this order form and the agreement referenced above.

SPRINGBROOK SOFTWARE PAYMENTS AND IVR AGREEMENT

This Springbrook Software, Web Payments and IVR Agreement (the "Agreement") is made and entered into as of the order form date by and between Springbrook Software Inc, a Oregon corporation having its principal place of business at 111 SW Fifth Avenue, Suite 1850, Portland, Oregon 97204 ("Licensor") and Clifton Water District, CO a corporation having its principal place of business at 510 34 Road, Clifton CO ("Licensee").

Table A	
Web Payments	<input checked="" type="checkbox"/> IVR Services

This Agreement consists of the General Terms and Conditions a set forth below:

GENERAL TERMS AND CONDITIONS

1. DEFINITIONS.

- 1.1. "Change Order" means a written request to change the terms or scope of a Statement of Work.
- 1.2. "Citizens" Citizens consumers and others designated by the Client to access Web Payments and/or IVR services.
- 1.3. "Client Data" means any and all data and information of any kind or nature submitted to Licensor by Licensee, or received by Licensor on behalf of Licensee, in connection with the Service, other than publicly available information.
- 1.4. "Deliverables" means anything provided to the client pursuant to a statement of work.
- 1.5. "Enhancement" means any modification or addition that, when made or added to the Software, materially changes its utility, efficiency, functional capability, or application, but that does not constitute solely an Error Correction. Licensor reserves the right to designate any Enhancement released by Licensor after the Effective Date as a new version of the Software or as a new software application, and to condition release and right of access and use of the new application or version upon Licensee's payment of an adjusted Service Fee.
- 1.6. "Error" means any failure of the Software to conform in any material respect to its published specification.
- 1.7. "Error Correction" means either a modification or addition that, when made or added to the Software, brings the Software into material conformity with its published specifications, or a procedure or routine that, when observed in the regular operation of the Software, avoids the practical adverse effect of such nonconformity.
- 1.8. "Hosted IVR Services" shall mean interactive voice response (IVR) applications and functionality provided to the Licensee as a service from Springbrooks' web and IVR hosting centers.
- 1.9. "Licensed Software" means the machine-readable, object-code version of the software licensed by Licensor, including all related Documentation and any modified, updated or enhanced versions of the program that Licensor may provide to Licensee, as set forth in the Order Form.
- 1.10. "Professional Services" means implementation, training, installation, data recovery, migration, restoration services, and other professional services provided by Licensor to Licensee, but specifically excluding Support Services and Managed Services.
- 1.11. "Project Coordinator" means that project coordinator, designated by Licensee, in connection with Professional Services.
- 1.12. "Releases" means new versions of the Software, which may include Error Corrections and/or Enhancements.
- 1.13. "Source Code" means the human-readable version of a software program than can be compiled into Executable Code.
- 1.14. "Statement of Work" means a statement of work signed by the parties pursuant to which Licensor provides Professional Services to Licensee.
- 1.15. "Temporary Fix" means an initial correction or "fix" to a problem in the Software prior to the release of an error correction.

1.16.

“Third Party Vendors” mean vendors chosen by Springbrook to provide solutions and services provided for in this Agreement.

2.

SCOPE OF AGREEMENT.

2.1.

The Service provided by Software Vendor to Licensee pursuant to this Agreement shall consist of the Web Payments and/or IVR services, as set forth on the appropriate order form and shall include: Online Payments, Software and Hosted Subscriber Services.

3.

ONLINE PAYMENTS.

3.1.

The Service will allow Citizens to make payments and perform certain other functions via a website, telephone or webpage hosted and maintained by Vendor and/or its agents, accessible by hotlink from Licensee’s own website, as set forth in the appropriate Order Form. Licensee agrees to use only such vendors which are subject to an agreement between the Licensee and the merchant services providers, for merchant banking services. For purposes of the credit card and similar transactions, Licensee shall act as merchant, and Licensee shall be solely responsible for maintaining its merchant relationship with such providers, and for all payments related to that merchant relationship. Such merchant relationship is subject to the terms of the agreement signed between Licensee and the provider and not subject to the terms and provisions of this Agreement. Licensee agrees to only use merchant services providers approved by Licensor.

4.

SOFTWARE.

4.1.

Operation of the Service requires installation and maintenance of Licensed Software on servers maintained by Licensee on Licensee’s premises. As used in this Agreement, the Software is limited to the most current released version of the Licensor’s payment application, and includes any updates to the Software as made available by Licensor. The Software does not include new software applications, substantially new versions of any software application, or services necessary to implement new applications or versions of the applications. Licensee agrees that Licensor may designate any software application released by Licensor after the executed Agreement as a new version or a new application, and those additional fees may be required for any such new version or application.

5. HOSTED IVR SERVICES

- 5.1. General. Licensee shall be solely responsible for, and Licensor is not liable for Licensee’s failure in, (a) properly configuring, developing, programming, hosting and operating its hardware, software, web sites, content and all applications, and their respective telephone and Internet connections, to allow access to and use of the Licensor’s Hosted Platform and Hosted IVR Services in accordance with the documentation provided by Licensor and (b) providing any connections necessary to communicate with the Licensor’s Hosted Platform.
- 5.2. Unauthorized Use. Licensee will be responsible for, and shall pay any applicable fees associated with, any unauthorized use by Licensee or Licensee’s end-users of the Hosted IVR Services, telephone numbers assigned to Licensee, and Licensee’s account. In the event Licensee becomes aware of such unauthorized use, Licensee shall promptly notify Licensor, and Licensor will issue to Licensee, at Licensee’s request and expense, replacement telephone number(s) for use with the Hosted IVR Services.
- 5.3. Support for Hosted IVR Services: During the Term, Licensor shall be responsible for providing support to Licensee with regard to the Hosted IVR Services. Licensee shall be responsible for providing support to its end users with regard to the Hosted IVR Services.
- 5.4. Network Traffic. Licensee acknowledges that Licensor is providing a hosted service, which means that Licensee content and data will pass through hosted Licensor’s servers that are not segregated or in a separate physical location from servers on which the content of other third parties is or will be transmitted or stored.
- 5.5. Content. Licensee is and shall be solely responsible for the creation, editorial content, control, and all other aspects of content. Licensee represents and warrants that Licensee has obtained (or will obtain, prior to transmission) all authorizations and permissions required to use and transmit the content over the Hosted Platform as part of the Hosted IVR Services.
- 5.6. No Harmful Code. Licensee represents and warrants to Licensor and its suppliers that no content shall be knowingly transmitted by Licensee or end users through the Hosted Platform containing any program, routine or device which is designed to delete, disable, deactivate, interfere with or otherwise harm any software, program, data, device, system or service, including without limitation, any ‘time bomb’, virus, drop dead device, malicious logic, worm, Trojan horse or trap or back door (collectively, “Harmful Code”).
- 5.7. Disclaimer for Emergency Uses. If the Hosted IVR Services are used in emergency situations for outbound notifications, then the products and services are intended to only increase the notice which will be given. There is and cannot be any guarantee that all persons intended to be contacted will be contacted. Licensor accepts no responsibility for any failure of the products and services to contact any person(s) and is not responsible for any damage or injury which results from any failure to contact anyone.

6. **RIGHTS OF ACCESS AND USE**

- 6.1. Licensor grants Licensee a terminable, non-exclusive and non-transferable right to access and use the Service solely for Licensee's internal business needs (including access by Citizens via password protected accounts), subject to the terms and conditions herein.

7. **PROFESSIONAL SERVICES.**

- 7.1. Statements of Work.
If Licensee desires to engage Licensor to provide Professional Services, Licensee and Licensor shall enter into a Statement of Work that describes the specific services to be performed by Licensor. The terms and conditions set forth in this Agreement apply to all Professional Services rendered by Licensor. If there is a conflict between the provisions of this Agreement and a Statement of Work, the relevant provisions of this Agreement will control unless the Statement of Work expressly provides otherwise. Following execution of a Statement of Work, Licensee may request changes to the scope of the Professional Services described therein by sending to Licensor a Change Order. Licensor will review the Change Order and notify Licensee in writing of any financial or schedule change required to implement the Change Order. The Change Order will not be binding unless agreed upon in writing by both parties.

- 7.2. Performance of Services.
Unless the Professional Services are such that they must be performed at Licensee's premises, Licensor may perform the Professional Services at Licensor's or Licensee's place of business, at Licensor's option. Licensees are responsible for all travel expenses related to performance of services under this agreement. Licensor will have sole discretion to determine personnel assigned to perform the Professional Services.

- 7.3. Client Project Coordinator.
Licensee shall designate a Project Coordinator in each Statement of Work. The Project Coordinator will have the authority to bind Licensee in all matters with respect to this Agreement and any Statements of Work, including, without limitation, directing Licensor to perform work, agreeing to additional work or changes outside the scope of a Statement of Work, approving all Licensor delivered services and committing Licensee to pay for all work the Project Coordinator has directed Licensor to perform.

8. Access.
If Professional Services are performed at Licensee's place of business or via electronic means, Licensee shall provide Licensor personnel with the necessary access to hardware and other systems as well as reasonable office space. Licensee warrants that it owns all right, title and interest in and to, or has full and sufficient right and authority to use in the manner contemplated by this Agreement and

any Statement of Work, any hardware, software, programming, materials or data furnished or made available by Licensor to Licensee in connection with Licensor's performance of this Agreement.

9. Intellectual Property Rights.
Licensor or its third party providers do and will at all times own all Intellectual Property Rights related to the Professional Services, the Deliverables and all documentation related to the foregoing, provided that upon full payment to Licensor for all amounts due from Licensee hereunder, Licensee will have a nonexclusive and nontransferable license to use such Deliverables for its own internal use for the business activities generally carried out by Licensee. This non-exclusive and non-transferable license is only valid while this agreement is in effect. All computer software and other materials owned by Licensor and used by Licensor in conjunction with the Professional Services or incorporated into the Deliverables will belong exclusively to Licensor or its third party providers, whether or not they were specifically adapted by Licensor for use by Licensee. Any concepts, ideas, know-how or techniques developed during the course of this Agreement or any Statement of Work by Licensor, or jointly by Licensor and Licensee, will be the exclusive property of Licensor.

10. **FEES AND PAYMENT**

- 10.1. Fees
Fees paid by Licensee are in consideration of the rights of access and use granted in Section 2, and as set forth in the appropriate Order Form or Statements of Work. The Service Fees do not include services or goods not expressly described in this Agreement. Except as otherwise expressly stated herein, all fees paid hereunder are nonrefundable and will be forfeited on a pro-rated basis, in the event of cancellation or termination. Licensor reserves the right to change the Fees as set forth on the appropriate order form. In addition, Licensee shall reimburse Licensor for any expenses, including travel expenses incurred in the performance of Professional Services. Except as specifically set forth in this Agreement, all fees are non-refundable.

- 10.2. Payment.
Payments due under this Agreement shall be made in U.S. currency in the amounts and at the times set forth in the applicable Order Form or Statement of Work or, if not indicated therein, within thirty (30) days of the date of invoice. If Licensee fails to timely pay any amount when due, Licensee shall pay, in addition, interest at the rate of one and one half percent (1½%) per month, but not to exceed the maximum allowed by law, on such delinquent amount.

10.3.

Taxes.

All Fees are exclusive of any sales, value-added, foreign withholding or other government taxes, duties, fees, excises, or tariffs imposed on the production, storage, licensing, sale, transportation, import, export, or use of the Products or performance of any services (collectively, "Taxes"). Licensee is responsible for paying any taxes to the appropriate agency. If the Licensor is assessed taxes related to services provided under this agreement, Licensee will be responsible for, and will reimburse Licensor within thirty (30) days of request for, all such Taxes and any related penalties, except for taxes imposed on Licensor's net income.

10.4.

Expenses.

Licensee is responsible for all its Internet connection charges, calling activities and phone bills related to its use of the Products.

11.

CONFIDENTIALITY & OWNERSHIP

11.1.

Obligations.

Each party acknowledges that, in the course of the performance of this Agreement, it may obtain the Confidential Information of the other party. Confidential Information disclosed pursuant to this Agreement will be subject to the terms of this Agreement during the Term of this Agreement and after Expiration or Termination of this agreement. Recipient shall take all reasonable steps to prevent the unauthorized disclosure of and maintain the confidentiality of the Confidential Information of Discloser. Recipient shall not disclose the Confidential Information of Discloser to any employees or third parties except to Licensor's third party providers, employees (including independent contractors), subsidiaries and consultants of Recipient who have at least an equivalent confidentiality obligation to Recipient and who have a need to know such Confidential Information on condition that Recipient shall be liable for any breach by such individual or entity. However, the parties acknowledge and agree that, notwithstanding such measures taken to prevent unauthorized disclosure, use of or connection to the Internet provides the opportunity for unauthorized third parties to circumvent such precautions and illegally gain access to Confidential Information. Accordingly, Recipient cannot and does not guarantee the privacy, security or authenticity of any information so transmitted over or stored in any system connected to the Internet. The Confidential Information disclosed by Discloser may only be used by Recipient as necessary to perform its obligations or exercise its rights under this Agreement.

11.2.

Client Data.

Licensee shall remain the sole and exclusive owner of all Client Data. As such, Client Data shall be subject to regulation and examination by the appropriate auditors and regulatory agencies to the same extent as if such information were on Licensee's premises.

11.3.

Vendor Systems, Service and Confidential Information.

Licensee acknowledges that it has no rights in the Service, including without limitation any software, systems, artwork, methods, documentation, guidelines, procedures and similar related materials or any modifications thereof provided by Licensor, and including material displayed on any Service website such as icons, screen displays, and the assembly and arrangement thereof, except with respect to and as limited by Licensee's access and use of the same during the term of this Agreement.

11.4.

Exceptions.

The obligations set forth herein will not apply to any information that is in response to a valid order by a court or other governmental body, or (ii) otherwise required by law, will not be considered to be a breach of this Agreement or a waiver of confidentiality for other purposes; provided, however, that Recipient will provide prompt written notice thereof to Discloser to enable Discloser to seek a protective order or otherwise prevent such disclosure.

12.

LICENSEE RESPONSIBILITIES.

Licensee acknowledges that operation of the Service requires Licensee's effort and cooperation, and that in addition to its other obligations under this Agreement, Licensee assumes the following responsibilities:

12.1.

Set-Up, Training.

Licensee shall use its best efforts to facilitate and participate in Service Set-Up, and afford Licensor reasonable access to information, equipment and facilities as requested by Licensor. Licensee shall require all of Licensee's personnel who use the Service to complete any training prescribed by Licensor at the time of implementation. Subsequent training of new personnel after implementation is not included in this agreement.

12.2.

Equipment Maintenance.

Licensee shall maintain hardware and software, including non-Licensor hardware or software, at Licensee's site as recommended by Licensor for operation and use of the Service. Licensee, at its expense, shall also maintain its own website, which shall feature a hotlink icon by which Citizens can access the Service website or webpage hosted by Licensor. Licensor may, at its discretion, provide a standard web page that appears to belong to Licensee but is actually housed on Licensor's website.

12.3.

Account Access, Creation and Termination.

Licensee shall exercise control over all administrative account access, creation and termination, and shall be solely

responsible for, creating or terminating accounts, and for allowing Citizens to open accounts, and for controlling account and password security. The Service shall restrict access to each Citizen account to users who enter the assigned account password, but otherwise Licensor shall not be responsible or liable for controlling access to or misuse of accounts.

12.4.

Monitor and Store Data.

Licensee shall verify account data accuracy on a regular basis, and assumes sole responsibility for maintaining data backup systems of systems located at the client site or managed and maintained but the client. Licensee shall immediately inform Licensor of any account data inconsistency, errors or corruption.

12.5.

Release of Licensee or Citizen Records.

Licensee shall assume responsibility for responding to and determining the validity of any requests or demands, whether from a court, a regulatory or other governmental agency, or the public, for the release of any Licensee or Citizen Records or data in Licensor's control or possession. Licensor shall not release any such records or data to any party without written authorization by Licensee, unless compelled to do so by a court or agency of competent jurisdiction. In the event that Licensor needs to release client information to defend a claim against Licensor, Licensor shall inform Licensee of any such required disclosure prior to disclosure, and seek approval to release information.

12.6.

Citizen Support.

Licensee assumes sole responsibility for providing all support services to Citizens, and shall be the sole contact for all support requests from Citizens. Client shall not refer any Citizen to Licensor directly for support requests, but may communicate such requests to Licensor together with contact information for the requesting Citizen. Licensor may, in its discretion, respond directly to the Citizen or provide a response to Licensee, and may deem any such response support not covered by regular Maintenance and Support to be billed as an additional fee to Licensee at Licensor's hourly rates.

12.7.

Credit Card Charge-backs.

Licensee assumes liability for, and indemnifies Licensor and its agents, against any claims or charges by any bank or credit card company for charge-backs related to any Citizen payment via the Service, and any claims or charges by any bank or credit card company for online payment processing fees related to online payments to Licensee.

13.

LICENSOR RESPONSIBILITIES

Licensor shall provide support and maintenance related to the Software on the following terms and conditions:

13.1.

Scope of Maintenance.

During the term of this Agreement, Licensor shall provide Basic Maintenance services in support of the Software. Basic Maintenance services shall consist of:

13.2.

Downtime.

Licensor shall make its best efforts to limit Service downtime caused by maintenance, upgrades or repairs, to two (2) hours per incident, and shall make its best efforts to post on the Service website the expected downtime and the time at which service will be restored.

13.3.

Error Correction.

Licensor will use all reasonable diligence to correct verifiable and reproducible Errors within a reasonable time period after reported to Vendor. The Error Correction, when completed, may be provided in the form of a "temporary fix," consisting of sufficient programming and operating instructions to implement the Error Correction.

13.4.

Telephone Support.

Licensor shall provide support during normal business hours (7:00am - 5:00pm PST) that permits Licensee to report Errors in the Software or Service access and to receive assistance. Licensor reserves the right to bill hourly (following Licensee's prior approval) for maintenance in cases of repeated operator error, or where a single operator error results in substantial effort by Licensor to resolve the problem.

13.5.

Changes in State and Federal Regulations.

Licensor may provide updates needed to conform to state and federal regulations, including changes to tax tables and routine forms. Maintenance services under this Agreement do not include updates to conform to any changes in local governmental regulations, including without limitation changes in utility billing rates, reports or methods.

13.6.

Routine Releases.

Licensor may, from time to time, issue Routine Releases of the Software, containing Error Corrections and Enhancements. Routine Releases will be made available to Licensees who have subscription agreements in place, as soon as reasonably possible, at times and on conditions to be established by Licensor. Licensor reserves the right to designate any Release as routine or non-routine.

13.7.

Exceptions.

The following matters are not covered by Basic Maintenance, and are outside the scope of services provided pursuant to this Agreement:

13.7.1.

Onsite support by employees or agents of Licensor;

13.7.2.

Training users in the proper operation of the Software and the Service;

- 13.7.3. Any problem resulting from Licensee's misuse, improper use, alteration, or damage of the Software, unless approved by Licensor in writing;
14. **INDEMNIFICATION.**
- 14.1. By Licensee.
In addition to indemnification pursuant to Section 12.7., Licensee shall indemnify and hold Licensor harmless from and against any claims, demands, causes of action, debt or liability, including reasonable attorneys' fees (the "Claims"), to the extent that the Claims are based upon:
- 14.1.1 The protection or disclosure of, or any request or demand to view, any account or payment records, data or information (other than disclosures caused solely by Licensor acting other than upon Licensee's instructions, including without limitation instructions regarding applicable laws or regulations);
- 14.1.2 Compliance with any laws or regulations requiring disclosures to any Citizen; and
- 14.1.3 Acts of Licensee using the Services in breach of law or regulation, or contrary to any term of this Agreement.. Willful misconduct or Gross Negligence of Licensee
- 14.2. By Licensor
- 14.2.1. Licensor shall indemnify and hold Licensee harmless from and against any claims, demands, causes of action, debt or liability, including reasonable attorneys' fees (the "Claims"), to the extent that the Claims are based upon;
- 14.2.2. Any claim that any of the website content provided solely by Licensor infringes or violates any intellectual property rights of any third party; or
- 14.2.3. Willful misconduct or gross negligence of Licensor.
- 14.2.4. A claim resulting from Third Party Vendors failure to maintain Payment Card Industry Data Security Association Requirements (PCI)
- 14.2.5. A claim resulting from Third Party Vendors failure to maintain appropriate compliance with 2003 Fair and Accurate Credit Transactions Act Sections 114 and 315.
15. **TERM; DEFAULT; RENEWAL.**
- 15.1. Term.
- 15.1.1. This Agreement is effective upon execution and shall continue for a term as set forth in the order form, (the "Initial Term"). This agreement will automatically renew at the end of the Initial Term or a subsequent term for a period of 12 months. The Client must notify the vendor within 30days of the end of a Term that they wish to terminate this agreement.
- 15.2. Termination
- 15.3. Either party may terminate this Agreement upon delivering notice of termination for any material breach of this Agreement by the other, provided such notice;
- 15.3.1. sets forth the grounds for termination, and;
- 15.3.2. gives the breaching party thirty (30) days to cure the breach, and;
- 15.3.3. Notwithstanding that a party gives notice of termination, such termination shall not be effective if the breach is cured prior to expiration of the thirty (30) day notice period, and the terminating party is notified of the cure within the notice period.
- 15.4. Renewal
Effective upon the expiration of the Initial Term, and the expiration of each Renewal Term (as defined herein) thereafter, this Agreement shall be automatically renewed for successive Terms of 12 months each (each such successive term a "Renewal Term"), unless contrary notice is given by either party at least sixty (60) days prior to the expiration of the initial term.
16. **LIMITED WARRANTY AND EXCLUSIONS.**
- 16.1. LICENSOR WARRANTS THAT IT HAS TITLE TO THE INTELLECTUAL PROPERTY USED IN THE SERVICE AND THAT IT HAS AUTHORITY TO GRANT THE RIGHT OF ACCESS AND USE HEREIN TO LICENSEE. LICENSOR ALSO WARRANTS THAT, DURING THE TERM OF THIS AGREEMENT, THE

SOFTWARE WILL FUNCTION IN CONFORMITY WITH THE DESCRIPTION AND SPECIFICATIONS CONTAINED IN THIS AGREEMENT AND THE ATTACHMENTS HERETO, AND THAT ALL SERVICES RENDERED HEREUNDER SHALL BE PERFORMED IN A GOOD AND WORKMANLIKE MANNER. VENDOR MAKES NO WARRANTY REGARDING THE USABILITY OR CONVERTABILITY OF ANY OF LICENSEE'S PRE-EXISTING DATA. LICENSEE AGREES THAT THE FOREGOING LIMITED WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES OF LICENSOR AND LICENSOR DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, THAT THE OPERATION OF THE SERVICE WILL BE FREE FROM ERRORS OR INTERRUPTION, OR THAT THE LICENSEE DATA WILL BE FREE FROM CORRUPTION OR LOSS.

17. **LIMITATION OF REMEDIES AND LIABILITY;
EXCLUSION OF CONSEQUENTIAL DAMAGES.**

17.1. The cumulative liability of Licensor to Licensee for all claims relating to the Software and any services rendered hereunder, in contract, tort, or otherwise, shall not exceed the total amount of the Fees, as set forth in the order form paid to Licensor during the six (6) months immediately preceding the date Licensee informs Licensor of the claim. Licensor's liability for breach of warranty exists only during the warranty period set forth in Section 9. In no event shall Licensor be liable for any consequential, indirect, special or incidental damages (including, without limitation, damages for loss of business profits, business interruption, loss of business information, or other pecuniary loss), whether arising out of contract, tort, warranty or otherwise. The foregoing limitation of liability and exclusion of certain damages shall apply regardless of the success or effectiveness of other remedies, and applies to claims pursuant to the limited warranty created under this Agreement.

18. **GENERAL**

18.1. Taxes.
In addition to the Service Fees and other fees payable hereunder, Licensee shall be liable for any federal, state, county, local or other governmental taxes, duties and excise taxes, now or hereafter applied on the use of the Service including sales tax, use tax, value added tax or similar tax.

18.2. Entire Agreement.
This Agreement, including the Product Addenda and any Order Forms or Statements of Work, constitutes the entire agreement between the parties and supersedes all previous and

contemporaneous agreements, understandings and arrangements with respect to the subject matter hereof, whether oral or written.

18.3. Amendment.
This Agreement may be amended or supplemented only by a writing that refers explicitly to this Agreement and that is signed by both parties.

18.4. Waiver.
No term or provision hereof will be considered waived by either party, and no breach excused by either party, unless such waiver or consent is in writing signed on behalf of the party against whom the waiver is asserted. No consent by either party to, or waiver of, a breach by either party, whether express or implied, will constitute consent to, waiver of, or excuse of any other, different, or subsequent breach by either party.

18.5. Severability.
If any provision of this Agreement is held to be invalid or unenforceable for any reason, the remaining provisions will continue in full force without being impaired or invalidated in any way. The Parties agree that any invalid provision will be deemed to be restated so as to be enforceable to the maximum extent permissible under law consistent with the original intent and economic terms of the invalid provision.

18.6. Relationship of Parties.
The parties to this Agreement are independent contractors. There is no relationship of agency, partnership, joint venture, employment or franchise between the parties. Neither party will have, and will not represent that it has, any power, right or authority to bind the other party, or to assume or create any obligation or responsibility, express or implied, on behalf of the other party or in the other party's name.

18.7. Non-Exclusive Relationship.
This Agreement is non-exclusive. Each party will be free to enter into other similar agreements or arrangements with other third parties.

18.8. Assignment.
Neither party will indirectly or directly transfer or assign any rights under this Agreement, in whole or part, without the prior written consent of the other party. Notwithstanding the foregoing, the Licensor may, without the prior written consent of the other party, assign this Agreement to a subsidiary or affiliated entity as part of a divestiture, corporate reorganization or consolidation or to another party in connection with a merger, acquisition, or sale of substantially all assets or stock to which this Agreement relates, provided the successor agrees in writing to assume all of the assigning party's obligations hereunder. Any assignments contrary to this Section 11.7 will be void. Subject to the foregoing, this Agreement will bind and inure

to the benefit of the parties and their respective successors and permitted assigns.

Force Majeure.

18.9.

Except for Licensee's payment obligations under this Agreement, neither party will be liable for any failure or delay in performance under this Agreement which might be due in whole or in part, directly or indirectly, to any contingency, delay, failure, or cause of, any nature beyond the reasonable control of such party. Such causes include, without in any way limiting the generality of the foregoing, fire, explosion, earthquake, storm, flood or other weather, unavailability of necessary utilities or raw materials, power outage, strike, lockout, unavailability of components, activities of a combination of workmen or other labor difficulties, war, act of terrorism, insurrection, riot, act of God or the public enemy, law, act, order, export control regulation, proclamation decree, regulation, ordinance, or instructions of government or other public authorities, or judgment or decree of a court of competent jurisdiction (not arising out of breach by such party of this Agreement). If, however, a party's performance is prevented for ninety (90) days or more, then the other party will be entitled to terminate this Agreement on written notice to the party suffering the force majeure at any time prior to resumption of performance by the party suffering the force majeure.

18.10.

Compliance With Laws.

Each party shall be responsible for its own compliance with laws, regulations and other legal requirements applicable to the conduct of its business and this Agreement, and agrees to comply with all such laws, regulations and other legal requirements

18.11.

Inspections.

Licensee will permit Licensor or its representatives to review Licensee's relevant records and inspect Licensee's facilities and systems to ensure compliance with the Agreement, appropriate Order Forms or Statements of work. Licensor will give Licensee at least ten (10) days advance notice of any such inspection and will conduct the same during normal business hours in a manner that does not unreasonably interfere with Licensee's normal operations.

18.12.

Governing Law.

This Agreement will be governed by and construed under the laws of the United States, the State of Oregon, and Multnomah County. This Agreement will be deemed to have been made and entered into in Multnomah County, Oregon.

18.12.1.

Dispute Resolution and Jurisdiction.

The parties will attempt to resolve any dispute relating to this Agreement by good faith negotiation between business principals. Thereafter, the parties will submit their dispute to a mutual agreed to Judicial Arbitrator and Mediator

18.13.

Attorneys' Fees.

In the event any attorney is employed by any party to this Agreement with regard to any legal action, arbitration or other proceeding brought by any party for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, then the party or parties prevailing in such proceeding, whether at trial or upon appeal, will be entitled to recover reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

18.14.

Notices.

All notices, consents, and approvals under this Agreement must be delivered in writing by courier, by overnight mail service or by certified or registered mail, (postage prepaid and return receipt requested) to the other party at the address set forth beneath such party's signature and will be effective upon receipt. Either party may change its address by giving written notice of the new address to the other party.

18.15.

Press Release.

In the event that Licensor wishes to issue a press release announcing the existence of the relationship between the parties and the nature of this Agreement, Licensor will provide such press release to Licensee for Licensee's written approval and consent. Such approval and consent will be in Licensee's sole discretion. No other press releases that mention the other party shall be issued without the other party's prior written approval. Licensee agrees to allow Licensor to list client as a customer.

18.16.

Construction of Agreement.

This Agreement has been negotiated by the respective parties hereto and their attorneys and the language hereof will not be construed for or against any party. The titles and headings herein are for reference purposes only and will not in any manner limit the construction of this Agreement, which will be considered as a whole.

18.16.1.

Counterparts and Electronic Signatures.

18.16.2.

This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which will be taken together and deemed to be one instrument. Each party agrees that electronic or facsimile signatures of authorized representatives of either party will be binding for the purposes of executing this Agreement.

19.

IN WITNESS WHEREOF, each of the parties hereto has caused this

Agreement to be executed in duplicate by its duly authorized officer or representative.

Licensor

Licensee

By:

By:

Signature: _____ Signature: _____

Name (Print): _____ Name (Print): _____

Title: _____ Title: _____

Date: _____, 2011

Date: _____, 2011

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS BANOS AUTHORIZING THE CITY MANAGER TO EXECUTE A MASTER AGREEMENT, FUTURE AGREEMENTS, AND/OR AMENDMENTS THERETO, RELATING TO THE TELE-WORKS AUTOMATED PHONE SYSTEM

WHEREAS, the City of Los Banos wishes to implement an automated payment system and customer notification system to collect utility payments through Tele-Works; and

WHEREAS, in order to implement this automated system it is necessary for a Master Agreement to be executed with Springbrook Software Inc., prior to implementation; and

WHEREAS, the City of Los Banos wishes to delegate authorization to execute the master agreement, future agreements, and any amendments thereto involving Tele-Works and Springbrook Software, Inc., to the City Manager.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Los Banos does hereby authorize the City Manager to execute a master agreement, future agreements, and/or any amendments thereto relating to Tele-Works, and/or Springbrook Software, Inc, relating to the utility payment automated telephone system.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Los Banos held on the 6th day of April 2011, by Council Member _____ who moved its adoption, which motion was duly seconded by Council Member _____ and the Resolution adopted by the following vote:

AYES:
NOES:
ABSENT:

APPROVED:

Michael Villalta, Mayor

ATTEST:

Lucille L. Mallonee, City Clerk



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Chairman & Redevelopment Agency Members
FROM: Elaine Post, RDA Director *EP*
DATE: April 6, 2011
SUBJECT: Presentation of Economic Development Plan
TYPE OF REPORT: Non Consent

Recommendation:

None. Presentation provided for informational purposes only.

Background:

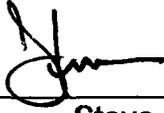
For the past five years the Los Banos Redevelopment Agency has concentrated its efforts on constructing low income housing to meet the RDA's state mandates; constructing the Los Banos Community Center as directed by the Council; acquiring grants to provide business loans and perform planning and technical assistance plans for downtown businesses; preparing the Rail Corridor for future construction projects; providing funding for the downtown sidewalk project; and providing funds for marketing tourism and digital signage to promote Los Banos' amenities.

These projects were all identified in the 2005-2009 RDA Implementation Plan and the Los Banos Comprehensive Economic Development Plan. Grants, tax increment (property tax), low income housing, and bond funds were used for these projects at a time when tax increment was at an all-time high in Los Banos.

With these projects completed and with input from the Redevelopment Agency Board during the 2011 Goals and Objectives Workshop, RDA staff will be redirecting their efforts with the primary focus being Economic Development; concentrating on local

retention and expansion as well as continuing outreach to attract work wage industry and businesses to Los Banos.

Reviewed by:

A handwritten signature in black ink, appearing to read 'Steve Rath', written over a horizontal line.

Steve Rath, City Manager

Attachments:

Los Banos Economic Development Plan

Los Banos Redevelopment Agency
2011/12 Economic Development Strategy

Purpose: To create a Business Retention, Expansion & Attraction Program to retain and foster growth in Los Banos

Important Element: Develop positive communication processes between the business community and City

Would Include:

Industrial

- Assessing existing Industrial Base with regular visits and tours at all local sites
- Learning physical, location, financial, technology, and human resource needs of local companies
- Would allow staff to “Look” for early warning signs to identify At Risk Companies
- Would help with action plan to overcome economic difficulties

Commercial

- Assess existing Commercial Base with regular visits and tours at all local sites
- Continually conduct surveys to learn needs and future goals of local businesses
- Seek efficient, leveraged approaches to solving business retention and expansion problems
- Gain community leaders’ policy support to undertake larger scale improvements that may help firms
- Assist businesses through the city service process such as permitting and entitlement for expansions
- Provide businesses with information regarding useful services and resources in area
- Help coordinate services from multiple agencies
- Create a “true picture” of the employment tax base in Los Banos

- Help Identify Home Based Businesses then assist with helping them enter the mainstream
- Support events designed to attract people to town

Called Export Transactions, any time someone from outside of Los Banos spends Money in Los Banos that money will move throughout the community three times. For instance, purchasing a dinner at a local restaurant means staff members receive a salary, their salaries will purchase groceries, and that grocer will purchase local supplies to restock. Supporting local events that bring in these export transactions is a way to increase revenue to local businesses.

Local events also support the local economy by generating tax dollars to support local services as well as providing business for local hotels, gas stations and restaurants.

Global & Regional Implementation

- Attend Trade Shows
- Maintain membership with Central California Economic Development Corporation
- Join International Council of Shopping Centers (ICSC)
- Identify and promote local industrial areas via the Internet
- Identify and promote local commercial space/Pacheco/Downtown via the Internet
- Present sites to interested businesses in Los Banos and at Trade Shows
- Create Rapid Response program to help businesses through City's system
- Serve as clearing house for information to industries and commercial representatives
- Provide technical assistance to existing businesses/industries
- Market City for industrial and commercial developer expansions and tourism
- Become distribution point for City Economic Development Materials

Local Implementation

- Create strategy to develop and implement policies, programs and events that stimulate business activity
- Facilitate expansion of existing business
- Encourage new business
- Work to create new jobs to expand the economic base and enhance the quality of life
 - Gain a clear understanding of each businesses' views of its local government and local economy
 - Determine company plans for expansion or relocation
 - Acquaint business leaders with assistance available through economic development programs
 - Create a communications bridge between the business community and local government

Business Retention

- 70% of all business growth comes from local business
- 15% of business growth is from start-ups
- 15% of business growth is from relocation of an existing business from a different community

Note: If 85% of growth comes from within the community, our main focus should be on Los Banos businesses

Benefits of Business Retention & Expansion

- Keep businesses from relocating to other areas
- Help businesses survive economic difficulties
- Assist businesses with expansion that add new jobs and increase revenue

To Prevent

- Elimination of Jobs
- Reduction to the Tax Base
- Lower Property Values
- Blight or declining property areas

Expansion Can

- Keep or increase jobs
- Preserve or increase Tax Base
- Increase Property Tax
- Enhance the Community Image

Tools for Retention & Expansion

- Marketing
- Assist with land and buildings
- Assess and assist with infrastructure
- Provide or assist in finding financial assistance
- Work to link companies with available resources
- Develop a competent workforce using Work Net & Merced Community College
- Provide Technical Assistance and Assessment
- Identify available technology resources
- Provide export assistance through Merced Community College
- Assist with ways to reduce energy costs working with PG&E
- Assist business through permit and licensing process
- Assist with tax and non-tax incentives

Start-Ups

- Partner with Merced County Economic Development Corporation (MCEDCO)
 - Provides business support
 - Nurtures entrepreneurs
 - Provides management consulting
 - Provides business planning
 - Provides accountability programs

- Partner with Small Business Development Center (SBDC)
 - Provides owners with skills needed to make a business successful
 - Provides training in Cash Flow Management
 - Provides training in Government Procurement
 - Provides training in Business Loan Packaging
 - Provides training in Marketing and Advertising
 - Provides Strategic Business Planning
 - Provides training in Business Expansions
 - Provides training in Export and Import
 - Provides training in Business Structuring

Business Attraction - Commercial

Business attraction used to be an easy concept. An economic developer would identify companies that would be a “good fit” for the community and start making a sales pitch. They would contact the company’s decision makers, explain the benefits of moving to their community, offer incentives, and try to close the deal. Primarily the economic developer was a salesperson.

Today’s recruitment is much different.

Today’s industries are looking for workers that are involved in the information age, who are creative, can problem solve, and provide ideas for change. With 23 million Baby Boomers leaving the workforce and only 10 million non-Boomers entering, only one person will be available to fill 2.3 jobs. This

knowledge gives non-Boomers the advantage of being picky regarding not only where they will work, but in which communities they to settle down. Retailers will go to where the shoppers are. In Los Banos this means we not only have to attract quality retailers, but the quality non-Boomers who can provide the City with skilled workers.

To prepare for business attraction we suggest:

- Through surveys get to know our population
- Work with site selectors to identify the positives in our community
- Could work with companies like Buxton to identify our demographic, psychographic, lifestyle characteristic study and drive time analysis
- In-House perform the demographic, psychographic, lifestyle characteristic study and drive time analysis.
- Work with local realtors and land holders to identify potential sites

Business Attraction – Industrial

- Perform a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis
- Speak with area farmers to identify their needs and create a list of potential industrial firms that would assist with those needs
- Identify characteristics of Los Banos – water, sewer, power, land, access, etc.
- Target Industries identified through SWOT

Tourism

- 90% of Tourism businesses are small
- 83% of tourism spending is by visitors with incomes of \$70,000 or more
- Work with local Chamber, Fish and Game, local hotels and bus companies to establish Los Banos as a tourist destination

Website:

- Provide Link to “ZoomProspector”
- Provide updated Census information on Los Banos
- Create “Snapshot” of Los Banos including top employers
- Provide additional links to business services for local companies
- Provide land bank page that features local properties/land for incoming business
- Update Economic Assistance and Incentives for those looking from outside the area
- Provide links to CCEDC, CALED, and MCEDCO

Staffing:

- Staff would return to City Hall for “first response” to local and potential businesses
- Staff would work with Planning and Building to identify potential businesses requiring assistance

Partnerships:

- MCEDCO – Business recruitment, retention, special projects
- Los Banos Chamber of Commerce – Initial contacts with some prospects
- MCAG – Grant writing
- SBDC – Business assistance
- Merced Community College – Workforce Training, export assistance
- Workforce Investment – Job training, employee screening, Enterprise Zone
- San Joaquin Valley Business & Lyle Center – Funding, business assistance

ATTRACTION	RETENTION and EXPANSION
<p>Most Sophisticated Customers: This includes dealing with site selection consultants and corporate real estate professionals who earn their living doing site selection work</p>	<p>Less Sophisticated Customers: Typically, this includes dealing with managers and owners of small to medium size firms who have little or no knowledge of site selection criteria</p>
<p>Supply Driven: What we have available in the way of workforce, transportation, land, infrastructure, incentives, etc.</p>	<p>Demand Driven: More of a "how can I help you make your business more competitive?"</p>
<p>Limited Access to the Firm's Key Decision Makers: Locational consultants will typically shield them until the very end of the site selection process. Difficult to determine what type of corporate citizen they will be based upon a one hour meeting.</p>	<p>Immediate Access to the Firm's Key Decision Makers: Relationships with these people are likely to already exist. This provides a good sense of who is worth the time and effort and who might be more trouble than they are worth</p>
<p>Consumer Typically Sets the Price: Usually, the site selection consultants will play the two or three finalist communities off against one another in order to obtain the largest possible amount of incentives</p>	<p>Supplier Typically Sets the Price: Frequently, it is necessary to retain an at-risk firm by utilizing off-the-shelf, existing programs that the firm was previously unaware of</p>

Local Site Visitations

Goal:

Meet the large and small businesses on an individual basis.

Objective:

1. Identify the concerns, needs, and future forecast strategy of each business so that communication, relationships and services may be enhanced among the business community, government and the community-at-large.
2. Maintain an electronic file, containing general and specific information, for each business.

Site Visitation Strategy:

1. By phone, schedule brief meetings with 15 to 20 businesses per month.
2. Meet with the manager/business owner to perform a "needs assessment" and discuss issues concerning maintaining a business within the City of Los Banos.
3. Have survey questions with specific focus issues that are more important to achieving the strategic objective of business retention and expansion.

Confidentiality Issues

A substantial degree of confidentiality should be guaranteed to firms that participate in any surveys. At the same time, the promise of confidentiality should not be so strict as to prevent the identities of at-risk firms from being revealed to assistance providers (MCEDCO, SBDB) that could provide assistance that will retain the firm for Los Banos.

Red Flag Response

Goal:

Quickly and efficiently identify issues that may affect local business.

Objective:

The red flag system is designed to identify and respond to problems and opportunities through the interviewing process, networking, and referrals submitted to the City.

Red flag problems/opportunities encompassing a variety of components involving business closure, relocation and expansion. Possible red flags may include but are not limited to:

1. Expiration of current business lease
2. Desire to expand business but unable to do so due to lack of space
3. Access to capital
4. Obsolete facilities
5. Infrastructure deterioration

Strategy:

The Red Flag system component consists of City and private organizations/partners established to respond quickly and effectively to the “red flags” or problems identified in a specific business interview and/or referral that the City has received. The structure may include, but is not limited to the following representatives:

- City Council Members
- City Manager and Department Heads
- Economic Development Director
- MCEDCO
- SBDC

- Los Banos Chamber of Commerce
- Local utility companies
- Local lending institutes
- Local real estate brokers
- Farm Bureau
- Merced College

Upon identification of a Red Flag opportunity which requires follow up, the interviewer may contact any of the representatives above.

The Red Flag system offers a unique opportunity to increase the marketing and performance of both public and private sectors. Moreover, as Los Banos' reputation circulates throughout the business community in regard to responding rapidly and efficiently to business concerns. It is anticipated that existing businesses will be instrumental in co-partnering in the efforts of business attraction, particularly manufacturing businesses as many are associated with various manufacturer associations.



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Chairman and Agency Members

FROM: Elaine Post, RDA Director *EP*

DATE: April 6, 2011

SUBJECT: Summary of Governor's Budget Proposal Regarding RDA's
Sacramento Bee Commentary by John Shirey, California League of Cities

TYPE OF REPORT: Information Only

Discussion:

As the Agency is aware, the Assembly and Senate are still deciding the fate of California's Redevelopment Agencies. As of the time this report was written, votes from both houses had yet to take place. Included in your packet for informational purposes only, is a summary of the Governor's budget proposal regarding RDAs, a copy of the actual proposal, and a commentary from the March 29, 2011 Sacramento Bee from John Shirey of the California League of Cities.

Reviewed by:

Steve Rath, City Manager

Attachments:

Sacramento Bee Commentary – With Alternative Proposal
Governor's Budget Proposal
Summary

This story is taken from Sacbee / Opinion / Viewpoints

Viewpoints: Compromise offered on redevelopment agency proposal

Special to The Bee

Published Tuesday, Mar. 29, 2011

After months of contentious debate over the governor's proposal to abolish redevelopment agencies in California, groups representing local governments and redevelopment agencies have offered an alternative proposal that strikes a reasonable compromise for all involved.

This proposal provides the state of California and schools with about \$2.7 billion over the next 10 years to help reduce the budget deficit. It also retains redevelopment in California while instituting tough reforms that increase accountability and ensure redevelopment is being used responsibly to maximize job creation, revitalize run-down communities, clean up contaminated properties, finance infrastructure improvements and build affordable housing.

Already, a bipartisan coalition of legislators has come together in support of this alternative package. There are two elements to the package: revenues and reform.

Revenues: Under the plan, in the 2011-12 budget year, redevelopment agencies could voluntarily contribute an equivalent of 20 percent of their net tax-increment funds to local schools instead. These funds may be used from any redevelopment funding source, including low- to moderate-income housing funds.

In addition, agencies could contribute up to 10 percent of non-housing funds that year and each year thereafter for 10 years. In exchange for these voluntary contributions, redevelopment agencies would be granted extensions of their projects' life spans.

After conducting a survey of local redevelopment agencies throughout the state, we estimate this plan would raise \$700 million to \$1 billion for the first budget year, and an additional \$1.7 billion for the following nine years. In all, the plan could mean

approximately \$2.7 billion over the 10-year life of the proposal, more than what the governor estimates would be available for deficit reduction from the elimination of redevelopment agencies.

And the revenues are far more reliable, because the alternative avoids the costly and contentious litigation that is sure to follow if the governor's plan is adopted. Because our plan calls for voluntary contributions, it doesn't violate the state Constitution or the will of the voters who supported Proposition 22 in November.

Reform: Redevelopment has been a powerful tool to revitalize downtrodden communities and create jobs and economic activity that otherwise would not have occurred. In fact, redevelopment investments and construction activities are responsible for supporting more than 300,000 jobs each year.

While the vast majority of local agencies act responsibly, reforms are needed to increase the accountability and efficiency of all agencies. Toward that end, the California Redevelopment Association has also offered a package of important accountability reforms, including:

- **Enhanced reporting:** It requires the state controller to update and toughen audit guidelines for redevelopment agencies and requires agencies to file with the state an annual report on their finances and activities. The availability of consistent, transparent audits will lead to more accountability and will help expose any abuses.
- **Focus even more on job creation:** The reform proposal refines the statutory authority of redevelopment agencies to provide direct assistance to businesses to build new or expand existing manufacturing and industrial facilities to grow jobs. Agencies would also be authorized to assist local businesses with financing for new technologies, machinery and equipment that also expand manufacturing and industrial job-creation.
- **Focus on infill development and energy efficiency:** The reform would expand redevelopment tools to facilitate intensified infill development of urban areas, including assisting with the creation of commercial facilities, jobs and higher-density residential housing in the urban core, close to public transit. Agencies would also be authorized to provide financial and other assistance to remodel commercial and residential buildings to be more energy efficient to reduce pollution and greenhouse gases.
- **Promote more affordable housing:** Redevelopment agencies are the second-largest funder of affordable housing in California, behind only the federal government. In fact, since 1993, agencies have helped create nearly 100,000 units of affordable housing.

Our package contains 14 reforms to ensure agencies are spending housing funds responsibly. These include limitations on the use of funds for administration and other significant changes to make agencies spend housing funds more efficiently on the actual production of affordable housing units.

They say politics is the art of compromise, and this package is a reasonable solution to deliver on that promise.

The two-pronged package is constitutional, avoids messy litigation against the state and represents a win-win for our state, local governments and taxpayers. It provides the state with revenues to help bridge the daunting budget gap, while also retaining redevelopment as an important local government tool to create jobs and grow the California economy.

John Shirey is executive director of the California Redevelopment Association.

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Redevelopment Agency Dissolution and Succession

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

- (a) The economy and the residents of this state are slowly recovering from the worst recession since the Great Depression.
- (b) State and local governments are still facing incredibly significant declines in revenues and increased need for core governmental services.
- (c) Local governments across this state continue to confront difficult choices and have had to reduce fire and police protection among other services.
- (d) Schools have faced reductions in funding that have caused school districts to increase class size, layoff teachers as well as make other hurtful cuts.
- (e) Redevelopment agencies have expanded over the years in California. The expansion of redevelopment agencies has increasingly shifted property taxes away from services provided schools, counties, special districts, and cities.
- (f) Redevelopment agencies take in approximately twelve percent all of the property taxes collected across California.
- (g) It is estimated that under current law, redevelopment agencies will divert \$5 billion in property tax revenue from other taxing agencies in fiscal year 2011-12.
- (h) These difficult times demand that a reexamination of resources and priorities be undertaken. This reexamination demonstrates that the state's investment in local economic development and redevelopment agencies is less critical than providing for police and fire protection and is less critical than preventing additional harm to public education.
- (i) Therefore, the Legislature finds that the existence of redevelopment agencies which redirect property tax dollars from core services and does so without a vote of the people must cease. The Legislature further finds that these existing tax dollars must be returned to schools, fire districts, and the other local entities from which they have been diverted.
- (j) The Legislature has all legislative power not explicitly restricted to it. The Constitution does not explicitly state that redevelopment agencies must exist and, unlike other entities such as counties, does not limit the Legislature's control over that existence. Redevelopment agencies were created by statute and can therefore be eliminated by statute.
- (k) It is the intent of the Legislature to do the following in this act:
 - (1) Bar existing redevelopment agencies from incurring new obligations that would divert any more money from core functions and dissolve all existing redevelopment. It is the intent of the Legislature that the greatest amount of funding be realized from these actions to fund core governmental services.

(2) Beginning with 2012-13 fiscal year, allocate these funds according to the existing property tax allocation, except for enterprise special districts, to make the funds available for cities, counties, special districts, school and community college districts to provide core governmental services. As a result of these actions, it is estimated that, by fiscal year 2012-13, these local entities will receive \$1.9 billion per year in new resources to use for their core priorities.

(3) Require a successor entity to settle the affairs of the redevelopment agencies.

(4) Require the protection of contractual rights by successor agencies, which will be required to retire redevelopment agency debts in accord with existing payment schedules. No existing contractual obligations will be impaired.

SEC 2. Section 33500 of the Health and Safety Code is amended to read:

33500. (a) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within 90 days after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred prior to January 1, 2011.

(b) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within 90 days after the date on which the agency or the legislative body made those findings or determinations, if the finding or determinations occurred prior to January 1, 2011.

(c) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of the adoption or amendment of a redevelopment plan at any time within three years after the date of the adoption of the ordinance adopting or amending the plan, if the adoption of the ordinance occurred after January 1, 2011.

(d) Notwithstanding any other provision of law, including Section 33501, an action may be brought to review the validity of any findings or determinations by the agency or the legislative body at any time within three years after the date on which the agency or the legislative body made those findings or determinations, if the finding or determinations occurred after January 1, 2011.

SEC. 3 Section 33501 of the Health and Safety Code is amended to read:

33501. (a) An action may be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of bonds and the redevelopment plan to be financed or refinanced, in whole or in part, by the bonds, or to determine the validity of a redevelopment plan not financed by bonds, including without limiting the generality of the foregoing, the legality and validity of all proceedings theretofore taken for or in any way connected with the establishment of the agency, its authority to transact business and exercise its powers, the designation of the survey area, the selection of the project area, the formulation of the preliminary plan, the validity of the finding and determination that the project area is predominantly urbanized, and the validity of the adoption of the redevelopment plan, and also including the legality and validity of all proceedings theretofore taken and (as provided in the bond resolution) proposed to be taken for the authorization, issuance, sale, and delivery of the bonds, and for the payment of the principal thereof and interest thereon.

(b) Notwithstanding subdivision (a), an action to determine the validity of a redevelopment plan, or amendment to a redevelopment plan that was adopted prior to January 1, 2011, may be brought within 90 days after the date of the adoption of the ordinance adopting or amending the plan.

(c) Any action that is commenced on or after January 1, 2011 which is brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity or legality of any issue, document, or action described in subdivision (a) may be brought within three years after the date of the triggering event.

~~(e)~~ (d) For the purposes of protecting the interests of the state, the Attorney General and the Department of Finance are interested persons pursuant to Section 863 of the Code of Civil Procedure in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

~~(d)~~ (e) For purposes of contesting the inclusion in a project area of lands that are enforceably restricted, as that term is defined in Sections 422 and 422.5 of the Revenue and Taxation Code, or lands that are in agricultural use, as defined in subdivision (b) of Section 51201 of the Government Code, the Department of Conservation, the county agricultural commissioner, the county farm bureau, the California Farm Bureau Federation, and agricultural entities and general farm organizations that provide a written request for notice, are interested persons pursuant to Section 863 of the Code of Civil Procedure, in any action brought with respect to the validity of an ordinance adopting or amending a redevelopment plan pursuant to this section.

SEC. 4. Section 33604 of the Health and Safety Code is repealed.

SEC. 5. Part 1.8 of Division 24 of the Health and Safety Code is added to read:

Restrictions on Redevelopment Agencies Operations

Chapter 1 Suspension of Agency Activities and Prohibition on Creation of New Debts

Section 34161 Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, no agency shall incur new or expand existing monetary or legal obligations except as provided in this part. All of the provisions of this part shall take effect and be operative on the effective date of the act adding this part.

Section 34162 (a) Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this Act, an agency shall be unauthorized, and shall not take action, to incur indebtedness, including, but not limited to, all of the following:

(1) Issue or sell bonds, for any purpose, regardless of the source of repayment of such bonds. As used in this section, "bonds", includes but is not limited to any bonds, notes, bond anticipation notes, interim certificates, debentures, certificates of participation, refunding bonds, or other obligations issued by an agency pursuant to the Part 1 (commencing with Section 33000), and Section 53583 of the Government Code, pursuant to any charter city authority, or any revenue bond law,

(2) Incur indebtedness payable from any of the following prohibited sources of repayment, which include, but are not limited to, income and revenues of an agency's redevelopment projects, taxes allocated to the agency, taxes imposed by the agency pursuant to Section 7280.5 of the Revenue and Taxation Code, assessments imposed by the agency, loan repayments made to the agency pursuant to Section 33746, fees or charges imposed by the agency, other revenues of the agency, and any contributions or other financial assistance from the state or federal government.

(3) Refund, restructure or refinance indebtedness or obligations that existed as of January 1, 2011, including but, not limited to, all of the following:

(A) Refunding bonds previously issued by the agency or by another political subdivision of the state, including, but not limited to those issued by a city, a housing authority or a nonprofit corporation acting on behalf of a city or a housing authority.

(B) Exercise the right of optional redemption or of any of its outstanding bonds or elect to purchase any of its own outstanding bonds.

(4) Take out or accept loans or advances, for any purpose, from the state or the federal government or any other public agency or any private lending institution or from any other source. For purposes of this section, "loans" include, but, are not limited to, agreements with the community or any other entity for the purpose of refinancing a redevelopment project and moneys advanced to the agency by the community or any other entity for the expenses of redevelopment planning, expenses for dissemination of redevelopment information, other administrative expenses and overhead of the agency.

(b) Any actions taken that conflict with this section are void ab initio and shall have no force or effect.

(c) Notwithstanding subdivision (a), the agency may issue refunding bonds Emergency Refunding Bonds, only where all of the following conditions are met:

(1) The issuance of Emergency Refunding Bonds is the only means available to the agency to avoid a default on outstanding agency bonds

(2) The county treasurer has approved the issuance of Emergency Refunding Bonds

(3) Emergency Refunding Bonds are issued only to provide funds for any single debt service payment that is due prior to June 30, 2011 and that is more than 20 percent larger than a level debt service payment would be for that bond.

(4) The principal amount of outstanding agency bonds is not increased.

Section 34163. (a) Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall not have the authority to, and shall not, do any of the following:

(1) Make loans or advances or grant or enter into agreement to provide funds or provide financial assistance of any sort to any entity or person for any purpose.

(2) Enter into contracts with, incur obligations or make commitments to any entity (whether governmental, tribal, or private) or any individual or groups of individuals for any purpose, including, but not limited to, loan agreements, pass-through agreements, regulatory agreements, services contracts, leases, disposition and development agreements, joint exercise of powers agreements, contracts for the purchase of capital equipment, agreements for redevelopment activities, including, but not limited to agreements for, planning, design, redesign, development, demolition, alteration, construction, reconstruction, rehabilitation, site remediation, site development or improvement, removal of graffiti, land clearance and seismic retrofits.

(3) Amend or modify existing agreements, obligations or commitments with any entity, for any purpose, including, but not limited to, all of the following:

(A) Renewing or extending term of leases or other agreements, except that the agency may extend lease space for their own use to a date not to exceed six months after the effective date of this Act and for a rate no more than five percent above the rate the agency currently pays on a monthly basis.

(B) Modifying terms and conditions of existing agreements, obligations or commitments.

(C) Transfer funds out of the Low and Moderate Income Housing Fund, except to meet the minimum housing-related obligations that existed as of January 1, 2011.

(4) Dispose of assets by sale, long-term lease, gift, grant, exchange, transfer, assignment or otherwise, for any purpose, including, but not limited to, all of the following:

(A) Assets including, but not limited to real property, deeds of trust and mortgages held by the agency, moneys, accounts receivable, contract rights, proceeds of insurance claims, grant proceeds, settlement payments and rights to receive rents any other rights to payment of whatever kind.

(B) Real property including but not limited to land, land under water and waterfront property, buildings, structures, fixtures, and improvements on the land, any property appurtenant to or used in connection with the land, every estate, interest, privilege, easement, franchise, and right in land, including rights-of-way, terms for years, and liens, charges, or encumbrances by way of judgment, mortgage, or otherwise and the indebtedness secured by such liens.

(5) Accept financial or other assistance from the state or federal government or any public or private source if such acceptance necessitates or is conditioned upon the agency incurring indebtedness as that term is described in this part.

Section 34164. (a) Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this

part, an agency shall lack the authority to, and shall not, engage in any of the following redevelopment activities:

- (1) Prepare, approve, adopt, amend, or merge a redevelopment plan, including, but not limited to, modifying, extending or otherwise changing the time limits on the effectiveness of a redevelopment plan.
- (2) Create, designate, merge, expand or otherwise change the boundaries of a project area.
- (3) Designate a new survey area or modify, extend or otherwise change the boundaries of an existing survey area.
- (4) Approve or direct or cause the approval of any program, project or expenditure where such approval is not required by law.
- (5) Prepare, formulate amend or otherwise modify a preliminary plan or cause the preparation, formulation, modification or amendment of a preliminary plan.
- (6) Prepare, formulate amend or otherwise modify an implementation plan or cause the preparation, formulation, modification or amendment of an implementation plan.
- (7) Prepare, formulate amend or otherwise modify a relocation plan or cause the preparation, formulation, modification or amendment of a relocation plan where such approval is not required by law.
- (8) Prepare, formulate amend or otherwise modify a redevelopment housing plan or cause the preparation, formulation, modification or amendment of a redevelopment housing plan.
- (9) Direct or cause the development, rehabilitation or construction of housing units within the community, unless required to do so by an Enforceable Obligation.
- (10) Making or modifying a declaration or finding of blight, blighted areas, or slum and blighted residential areas.
- (11) Make any new findings or declarations that any areas of blight cannot be remedied or redeveloped by private enterprise alone.
- (12) Provide or commit to provide relocation assistance, except where the provision of such relocation assistance is required by law.
- (13) Provide or commit to provide financial assistance.

Section 34165. Notwithstanding Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100), or any other law, commencing on the effective date of this part, an agency shall lack the authority to, and shall not, do any of the following:

- (a) Enter into new partnerships, become a member in a joint powers authority, form a joint powers authority, create new entities or become a member of any entity of which it is not

currently a member nor take on nor agree to any new duties or obligations as a member or otherwise of any entity to which the agency belongs to or is in any way associated with.

(b) Impose new assessments pursuant to Section 7280.5 of the Revenue and Taxation Code.

(c) Bring an action pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of any issuance or proposed issuance of revenue bonds under this chapter and the legality and validity of all proceedings previously taken or proposed in a resolution of an agency to be taken for the authorization, issuance, sale, and delivery of the revenue bonds and for the payment of the principal thereof and interest thereon.

(c) Begin any condemnation proceeding or begin the process to acquire real property by eminent domain.

(e) Prepare or have prepared a draft environmental impact report. This subdivision does not alter or eliminate any requirements of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code.

Section 34166. No legislative body or local governmental entity has any statutory authority to create or otherwise establish a new redevelopment agency or community development commission. No chartered city or chartered county may exercise the powers granted in Part 1 (commencing with Section 33000) to create or otherwise establish a redevelopment agency.

Section 34167. (a) This part is intended to preserve, to the maximum extent possible, the revenues and assets of the redevelopment agencies so that those assets and revenues that are not needed to pay for enforceable obligations may be used by local governments to fund core governmental services such as police, fire protection and schools. It is the intent of the Legislature that redevelopment agencies take no actions that would further deplete the corpus of the agencies' funds regardless of their original source. All provisions of this part should be read as broadly as possible to support this intent and to restrict the expenditure of funds to the fullest extent possible.

(b) For purposes of this part "agency" means a redevelopment agency created or formed pursuant to Part I (commencing with Section 33000) or its predecessor or a community development commission created or formed pursuant to part 1.7 (commencing with Section 34100) or its predecessor.

(c) (1) For purposes of this part, "enforceable obligation" means any of the following:

(A) Bonds, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the redevelopment agency.

(B) Loans of monies borrowed by the redevelopment agency for a lawful purpose.

(C) Payments required by the federal government, pre-existing obligations to the State or obligations imposed by state law, other than pass through payments that are made by the county auditor-controller pursuant to section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited, to pension payments and unemployment payments.

(D) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than passthrough payments that are made by the county auditor-controller pursuant to section 34183,. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(E) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy.

(F) Contracts or agreements necessary for the administration or operation of the redevelopment agency, to the extent permitted by this part, including, but not limited to, agreements purchase or rent office space, equipment and supplies and to pay related expenses pursuant to Section 33127 and for carrying insurance pursuant to section 33134.

(d) To the extent that any provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) conflict with this part the provisions of this part shall control. Further, if any provision in Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) provides an authority that this part is restricting or eliminating, the restriction and elimination provisions of this part shall control.

(e) Nothing herein shall be construed to interfere with an agency's authority to (1) make payments due, (2) enforce existing covenants and obligations or (3) perform its obligations, all pursuant to enforceable obligations as defined in this section.

Section 34168. (a) Notwithstanding any other law, any action contesting the validity of this part or Part 1.85 (commencing with Section 34170) or challenging acts taken pursuant to these parts shall be brought in the Superior Court of the County of Sacramento.

(b) If any provision of this part or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this part which can be given effect without the invalid provision or application, and to this end, the provisions of this part are severable.

Chapter 2 Redevelopment Agency Responsibilities

Section 34169. Until successor agencies are empowered pursuant to Part 1.85, redevelopment agencies shall do all of the following:

- (a) Continue to make all scheduled payments for enforceable obligations as defined in subdivision (c) of Section 34167.
- (b) Perform obligations required pursuant to any enforceable obligations, including, but not limited to, observing covenants for continuing disclosure obligations and those aimed at preserving the tax-exempt status of interest payable on any outstanding agency bonds.
- (c) Set aside or maintain reserves in the amount required by indentures, trust indentures or similar documents governing the issuance of outstanding redevelopment agency bonds
- (d) Preserve all assets, minimize all liabilities and preserve all records of the redevelopment agency.
- (e) Cooperate with the successor agencies and provide all records and information necessary or desirable for audits, making of payments required by enforceable obligations and performance of enforceable obligations by the successor agencies.
- (6) Take all reasonable measures to avoid triggering an event of default under any enforceable obligations as such term is defined in subdivision (c) of Section 34167.

SEC. 6. Part 1.85 (commencing with Section 34170) is added to Division 24 of the Health and Safety Code, to read:

Part 1.85 Dissolution of Redevelopment Agencies and Designation of Successor Agencies

Chapter 1 Effective Date, Creation of Funds, and Definition of Terms

Section 34170. (a) Unless otherwise specified, all provisions of this part shall take effect on July 1, 2011.

(b) If any provision of this part or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this part which can be given effect without the invalid provision or application, and to this end, the provisions of this part are severable.

Section 34170.5 (a) The following funds are hereby created:

(1) The "Public Health and Safety Fund" is hereby created in each county that contains a redevelopment agency, for administration by the county auditor-controller or such other entity as provided in section 34182.

(2) A "Redevelopment Obligation Retirement Fund" is hereby created in the treasury of each successor agency.

(3) A "Redevelopment Property Tax Trust Fund" is hereby created for the property tax revenues related to each former redevelopment agency, in each county, for administration by the county auditor-controller.

34171. The following terms shall have the following meanings:

(a) "Administrative budget" means the budget for administrative costs of the successor agencies as provided in section 34177.

(b) "Administrative cost allowance" means an amount that, subject to the approval of the oversight board, is payable from property tax increment revenues equal to the greater of five percent of the property tax allocated to the successor agency for the 2011-12 fiscal year and three percent of the property tax allocated to the successor agency for each fiscal year thereafter, or \$250,000 for any fiscal year. However, the allowance amount shall exclude any administrative costs that can be paid from bond proceeds or from sources other than property tax.

(c) "Approved development project" means a project where construction, site remediation, design, or environmental assessment work or property acquisition is required by the former redevelopment agency pursuant to an enforceable obligation between the former redevelopment agency and parties other than the entities that created the redevelopment agency and either (1) substantial performance under the applicable agreements had taken place prior to the effective date of the act adding this part or (2) the oversight board determines that it would be beneficial for the taxing entities or the communities to continue the project even though there had not been substantial performance under the applicable agreements. An approved development project does not include an agreement for any of the following: planning, financing services, site search, or other staff or consulting activities in preparation for redevelopment work.

(d) "Designated local authority" shall mean a public entity formed pursuant to subdivision (d) of Section 34173.

(e) "Enforceable obligation" means any of the following:

(1) Bonds, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency.

(2) Loans of moneys borrowed by the redevelopment agency for a lawful purpose.

(3) Payments required by the federal government, pre-existing obligations to the state or obligations imposed by state law, other than passthrough payments that are made by the county auditor-controller pursuant to section 34183, or legally enforceable payments required in connection with the agencies' employees, including, but not limited, to pension payments and unemployment payments.

(4) Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency, other than pass through payments that are made by the county auditor-controller pursuant to section 34183,. Along with the successor agency, the oversight board shall have the authority and standing to appeal any judgment or to set aside any settlement or arbitration decision.

(5) Any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. However, nothing in this act shall prohibit either the successor agency, with the approval or at the direction of the board, or the oversight board itself from terminating any existing agreements or contracts and providing any necessary and required compensation or remediation for such termination.

(6) Contracts or agreements necessary for the administration or operation of the successor agency, in accordance with this part, including, but not limited to, agreements purchase or rent office space, equipment and supplies and to pay related expenses pursuant to section 33127 and for carrying insurance pursuant to Section 33134.

(f) "Oversight board" shall mean each entity established pursuant to Section 34179.

(g) "Recognized obligation" means an obligation listed in the Recognized Obligation Payment Schedule.

(h) "Recognized Obligation Payment Schedule" means the document setting forth the minimum payment amounts and due dates of payments required by enforceable obligations for each half-year fiscal period as provided in subdivision (m) of Section 34177(13).

(i) "Retained development project" is a project planned by the redevelopment agency prior to dissolution that the city, county, or city and county that created the redevelopment agency wishes to continue to develop, utilizing its own funds, but which the successor agency would otherwise be directed by the oversight board to terminate due to its failure to qualify as an approved development project.

(j) "Successor agency" means the county, city, or city and county that authorized the creation of each redevelopment agency or another entity as provided in Section 34173.

(k) "Taxing entities" means cities, counties, cities and counties, special districts, school districts, community college districts, and county offices of education that receive passthrough payments and distributions of property taxes pursuant to the provisions of this part.

Chapter 2. Effect of Redevelopment Agency Dissolution

Section 34172. (a) All redevelopment agencies and community development agencies created under Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) that were in existence on the effective date of this part are hereby dissolved and shall no longer exist as a public body, corporate or politic.

(b) All authority to transact business or exercise powers previously granted under Part 1 (commencing with Section 33000) are hereby withdrawn from the former redevelopment agencies.

Solely for purposes Section 16 of Article XVI of the California Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness, whether

funded, refunded, assumed or otherwise incurred by the redevelopment agency to finance or refinance in whole or in part, the redevelopment projects of each redevelopment agency dissolved pursuant to this part.

Section 34173. (a) Successor agencies, as defined in this part, are hereby designated as successor entities to the former redevelopment agencies.

(b) Except for those provisions of the community redevelopment law that are repealed, restricted, or revised pursuant the act adding this part, all authority, rights, powers, duties and obligations previously vested with the former redevelopment agencies, under the Community Redevelopment Law, are hereby vested in the successor agencies.

(c) Where the redevelopment agency was in the form of a joint powers authority, and where the joint powers agreement governing the formation of the joint powers authority addresses the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part and each shall have a share of assets and liabilities based on the provisions of the joint powers agreement.

Where the redevelopment agency was in the form of a joint powers authority, and where the joint powers agreement governing the formation of the joint powers authority does not address the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part, a proportionate share of the assets and liabilities shall be based on the assessed value in the project areas within each entity's jurisdiction, as determined by county assessor, in its jurisdiction as compared to the assessed value within the boundaries of the project areas of the former redevelopment agency.

(d) (1) A city, county, city and county or the entities forming a joint powers authority that authorized the creation of each redevelopment agency may elect not to serve as a successor agency under this part. A city, county, city and county or any member of a joint powers authority that elects not to serve as a successor agency under this part must file a copy of a duly authorized resolution of its governing board to that effect with the county auditor-controller no later than June 1, 2011.

(2) (A) If a city, county, city and county or any member of a joint powers authority that authorized the creation of the redevelopment agency elects not to serve as a successor agency under this part, it shall not receive any property tax allocation from the funds disbursed from the Redevelopment Property Tax Trust Fund pursuant to paragraph (5) of subdivision (a) and paragraph (4) of subdivision (e) of Section 34183. Instead, that share of property tax shall be allocated to the first local agency in the county that elects to become the successor agency by submitting to the county auditor-controller a duly adopted resolution of its governing body to that effect.

(B) The determination of the first local agency that elects to become the successor agency shall be made by the county auditor-controller based on the earliest receipt by it of a copy of a duly

adopted resolution of the local agency's governing board authorizing such an election. As used in this section, "local agency" means any city, county, city and county or special district in the county of the former redevelopment agency.

(3) If no local agency elects to serve as a successor agency for a dissolved redevelopment agency, a public body, referred to herein as a "designated local authority" shall be immediately formed, pursuant to this part, in such county and shall be vested with all the powers and duties of a successor agency as described in this part. The Governor of the state shall appoint three residents of the county to serve as the governing board of such authority. Such designated local authority shall serve as successor agency until a local agency elects to become the successor agency in accordance with this section.

Section 34174. (a) Solely for the purposes of Section 16 of Article XVI of the California Constitution, commencing on the effective date of this part, all agency loans, advances or indebtedness, and interest thereon, shall be deemed extinguished and paid; provided, however, that nothing herein is intended to absolve the successor agency of payment or other obligations due or imposed pursuant to the enforceable obligations; and provided further, that nothing herein is intended to be construed as an action or circumstance that may give rise to an event of default under any of the documents governing the enforceable obligations.

(b) Nothing in this part, including, but not limited to, the dissolution of the redevelopment agencies the designation of successor agencies and the transfer of redevelopment agency assets and properties, shall be construed as a voluntary or involuntary insolvency of any redevelopment agency for purposes of the indenture, trust indenture, or similar document governing its outstanding bonds.

Section 34175. (a) Any legally binding obligations that were entered into with a pledge of tax increment shall continue to have the revenues that were formerly tax increment and which are deposited into the Redevelopment Obligation Retirement Fund. It is intended that such pledges and payment streams continue to be protected under law and that the cessation of the agency shall not effect either the pledge, the legal existence of that pledge, nor the stream of revenue available to make good on that pledge.

(b) All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on July 1, 2011 to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of July 1, 2011.

Section 34176. (a) The county or city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency. If a county or city elects to retain the responsibility for performing housing functions previously performed by an redevelopment agency, all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, along with any amounts in the Low and Moderate Income Housing Fund shall be transferred to such city, or county, or city and county.

(b) If a county, or city, or city and county does not elect to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, liabilities, duties and obligations along with any amounts in the Low and Moderate Income Housing Fund, shall be transferred as follows:

(1) Where there is no local housing authority in the territorial jurisdiction of the former redevelopment agency, to the Department of Housing and Community Development.

(2) Where there is one local housing authority in the territorial jurisdiction of the former redevelopment agency, to that local housing authority.

(3) Where there is more than one local housing authority in the territorial jurisdiction of the former redevelopment agency, to the local housing authority selected by the city, or county, or city and county that authorized the creation of the redevelopment agency.

(c) Commencing on the effective date of this part, the entity assuming the housing functions formerly performed by the redevelopment agency, may enforce affordability covenants and perform related activities pursuant to applicable provisions of the Community Redevelopment Law, including, but not limited to Section 33418.

Chapter 3 Successor Agencies

Section 34177. (a) Successor agencies are required to do all of the following:

(a) Continue to make payments due for enforceable obligations.

(1) Commencing on January 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from the funds specified in the Recognized Obligation Payment Schedule.

(2) Nothing herein is to be construed as preventing a successor agency, with the prior approval of the oversight board, as described in Section 34179, from making payments from sources other than those listed in the Recognized Obligation Payment Schedule.

(3) For fiscal year 2011-12, a successor agency shall have no authority and is hereby prohibited from accelerating payment or making any lump sum payments that are intended to prepay loans unless such accelerated repayments were required prior to the effective date of this part.

(b) Set aside or maintain reserves in the amount required by indentures, trust indentures or similar documents governing the issuance of outstanding redevelopment agency bonds.

(c) Perform obligations required pursuant to any enforceable obligations.

(d) Remit unencumbered balances of redevelopment agency funds to the county auditor-controller for distribution to the taxing entities. In making such a distribution, the county auditor-controller shall utilize the same methodology for allocation and distribution of property tax revenues provided in Section 34188.

(e) Dispose of assets and properties of the former redevelopment agency as directed by the oversight board. Such disposal is to be done expeditiously and in a manner aimed at maximizing value. Proceeds from asset sales and related funds that are no longer needed for to wind up the affairs of the agency, as determined by the oversight board, shall be transferred to the county auditor-controller for distribution as property tax proceeds under Section 34188.

(f) Negotiate compensation agreements with other taxing entities for any retained development projects.

(g) Enforce all former redevelopment agency rights for the benefit of the taxing entities, including, but not limited to, continuing to collect loans, rents, and other revenues that were due to the redevelopment agency.

(h) Effectuate transfer of housing functions and funds to the appropriate entity designated pursuant to Section 34176.

(i) Wind up the affairs of the redevelopment agency in pursuant to the provisions of part and the direction of oversight board.

(j) Continue to oversee development activities for approved development projects including continuing to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties. Bond proceeds must be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.

(k) Prepare a proposed administrative budget and submit it to the oversight board for its approval. The proposed administrative budget shall include all of the following:

(1) Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period; and

(2) Proposed sources of payment for the costs identified in paragraph (1).

(3) (A) Proposals for arrangements for administrative and operations services provided by such city, county, or other entity.

(B) Costs for staff employed by the city, or county, or city and county to continue redevelopment activities associated with retained development projects shall be excluded from the administrative budget.

(l) Provide administrative cost estimates, from its approved administrative budget that are to be paid from property tax allocations, to the county auditor-controller for each six month fiscal period.

(m) (1) Before each six-month fiscal period, prepare a Recognized Obligation Payment Schedule in accordance with the requirements of this paragraph. For each recognized

obligation, the Recognized Obligation Payment Schedule shall identify one or more of the following sources of payment:

(A) Low and Moderate Income Housing Fund.

(B) Bond proceeds.

(C) Reserve balances.

(D) Administrative cost allowance.

(E) Only to the extent no other funding source is available or when payment from current property tax revenues is required by an enforceable obligation, or the provisions of this part, the Redevelopment Property Tax Trust Fund.

(F) Other sources approved by the oversight board in accordance with this part.

(2) A Recognized Obligation Payment Schedule shall not be deemed valid unless all of the following conditions have been met:

(A) A draft Recognized Obligation Payment Schedule is prepared by the successor agency for the Enforceable Obligations of the former redevelopment agency. For the 2011-12 fiscal year, the initial draft shall project the dates and amounts of scheduled payments for each enforceable obligation for the remainder of the time period during which the redevelopment agency would have been authorized to obligate tax increment, and must be reviewed and certified, as to its accuracy, by an external auditor.

(B) The certified schedule is submitted to and duly approved by the oversight board.

(3) A copy of the approved Recognized Obligation Payment Schedule is submitted to the county auditor-controller and both the Controller's office and the Department of Finance.

(3) The schedule shall be forward looking to the next six months. The first schedule shall be transmitted to the Controller's office and the Department of Finance by December 1, 2011 for the January 1, 2012 through June 30, 2012, inclusive, period. Former redevelopment agency obligation payments due prior to that will be made from revenues received in the spring of 2011 property tax distribution, and balances transferred to the successor agency.

Section 34178. (a)

A successor agency shall have the power, but not the obligation, to employ any of the former employees or officers of the redevelopment agency, or other staff, as necessary to conduct the required duties associated with making payments due for enforceable obligations, for enforcing rights and performing duties under enforceable obligations and overseeing work associated with approved development projects.

(c) Former redevelopment agency employees or officers may not be compensated at a rate in excess of the level of total compensation received in calendar year 2010 unless approved by the oversight board.

Chapter 4. Oversight Boards

Section 34179. (a) Each successor agency shall have an oversight board composed of 7 members. Members shall be selected as follows:

- (1) One member may be selected by the county board of supervisors.
 - (2) One member may be selected by the city council for the city that formed the redevelopment agency.
 - (3) One member may be selected by the largest non-enterprise special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency.
 - (4) One member may be appointed by the county superintendent of education to represent schools.
 - (5) One member may be appointed by the county superintendent of education to represent community college districts.
 - (6) Additionally the county and the county superintendent of education may each appoint one member from the public, for a total of two members.
 - (7) If the county or a joint powers agency formed the redevelopment agency, then the largest city by acreage in the territorial jurisdiction of the former redevelopment agency may select one member. If there are no cities with territory in a project area of the redevelopment agency, the county superintendent of schools may appoint an additional member to represent the public.
 - (8) If there are no non-enterprise special districts in the territorial jurisdiction of the former redevelopment agency, then the county may appoint one additional member to represent the public.
 - (9) The Governor may appoint individuals to fill any oversight board member position that has not been filled by July 15, 2011 or any member positions that remains vacant for more than 60 days.
- (b) The oversight board may direct the staff of the successor agency in furtherance of their duties and responsibilities under this part and the successor agency shall provide for all of the expenses of meetings and other necessary expenses of the board. Board members shall serve without compensation or reimbursement for expenses.
- (c) Board members shall have personal immunity from suit for their actions taken within the scope of their responsibilities as oversight board members.
- (d) A quorum of the oversight board shall be a majority of members present at a meeting. The oversight board shall be deemed to be a local entity for purposes of the Ralph M. Brown Act, the California Public Records Act and the Political Reform Act of 1974.

Section 34180. All of the following successor agency actions shall first be approved by the oversight board:

(a) The establishment of new repayment terms for outstanding loans where such terms have not been specified prior to the date of this part.

(b) (1) Issuance of refunding bonds by successor agency, pursuant to authority granted to successor agencies under this part.

(2) Successor Agencies may refund outstanding bonds or other debt of the former redevelopment agency in order to provide for savings or to finance debt service spikes; provided, however, that no additional debt is created and debt service is not accelerated.

(c) Set aside of amounts in reserves as required by indentures, trust indentures or similar documents governing the issuance of outstanding redevelopment agency bonds.

(d) Merging of project areas.

(e) Continuing the acceptance of federal or state grants or other forms of financial assistance from either public or private sources where such assistance is conditioned upon the provision of matching funds, by the successor entity as successor to the former redevelopment agency, in an amount greater than five percent.

(f) (1) For a city, county or city and county acting under its own auspices, approval to have certain projects be deemed retained development projects under this part.

(2) If the successor agency wishes to retain any properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities to provide payments to them in proportion to their shares of the property tax, as determined pursuant to section 34188, for the value of the property retained.

(3) If no other agreement is reached on valuation of such retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by the county assessor.

(g) Establishment of the Recognized Obligation Payment Schedule.

(h) Approval of a request by the successor agency to hold portions of the moneys of the Low and Moderate Income Housing Funds in reserve in order to provide cash to fund recognized obligations.

(i) Approval of a request by the successor agency to enter into an agreement with the city, county or city and county that formed the redevelopment agency that it is succeeding.

Section 34181. The oversight board shall direct the successor agency to do all of the following:

(a) Dispose of all assets and properties of the former redevelopment agency except for assets and properties deemed part of approved development projects. Such disposal is to be done expeditiously and in a manner aimed at maximizing value.

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

(c) Transfer housing responsibilities and all rights, powers, duties and obligations along with any amounts on deposit in the Low and Moderate Income Housing Fund to the appropriate entity pursuant to Section 34176.

(4) Negotiate compensation agreements with other taxing entities for retained development projects.

Chapter 5. Duties of County Auditor-Controllers

Section 34182. (a) (1) The county auditor-controller shall conduct or cause to be conducted a financial audit of each redevelopment agency in the county, to be completed by October 1, 2011.

(2) The purpose of the audits shall be to establish each redevelopment agency's assets and liabilities, to document and determine each redevelopment agency's passthrough payment obligations to other taxing agencies, and to document and determine both the amount and the terms of any indebtedness incurred by the redevelopment agency and certify the initial Recognized Obligation Payment Schedule.

(3) The county auditor-controller may charge the Redevelopment Property Tax Trust Fund for any costs incurred by the county auditor-controller pursuant to this part.

(b) By October 15, 2011, the county auditor-controller shall provide the Controller's office a copy of all audits performed pursuant to this subdivision. The county auditor controller shall maintain a copy of all documentation and working papers for use by the Controller.

(c)(1) The county auditor-controller shall determine the amount of property tax increment that would have been allocated to each redevelopment agency in the county, using current assessed values, pursuant to statutory formulas or contractual agreements with other taxing agencies, as of the effective date of this section, and deposit that amount in the Redevelopment Property Tax Trust Fund.

(2) Each county auditor-controller shall administer the Redevelopment Property Tax Trust Fund for the benefit of the holders of former redevelopment agency debt, the beneficiaries of the Public Health and Safety Fund, and the taxing entities that receive pass-through payments and distributions of property taxes pursuant to this part.

(3) In connection with the allocation by the county auditor-controller of funds deposited in the Redevelopment Property Tax Trust Fund, in compliance with this part, the county auditor-controller shall prepare estimates of amounts to be distributed, and provide such estimates to, both the entities receiving the distributions, and the Department of Finance, no later than November 1, and May 1, of each year.

(4) Each county auditor-controller shall disburse proceeds of asset sales or reserve balances, which have been received from the successor entities pursuant to Sections 34177 and 34187, to the taxing entities. In making such a distribution, the county auditor-controller shall utilize the

same methodology for allocation and distribution of property tax revenues provided in section 34188.

(d) By August 1, 2012 the county auditor-controller shall report the following information to the Controller's office and the Director of Finance:

(1) The sum remitted to the Redevelopment Property Tax Trust Fund related to each former redevelopment agency.

(2) The sums remitted to each agency under paragraph (1) of subdivision (a) of section 34183.

(3) The sum remitted in each county to the Public Health and Safety Fund.

(4) The sums remitted to each successor agency pursuant to paragraph (3) of subdivision (a) of Section 34183.

(5) The sums paid to each successor agency pursuant to paragraph (4) of subdivision (a) of Section 34183.

(6) The sums paid to each city, county, special district, and the total amount allocated for schools and community colleges pursuant to paragraph (5) of subdivision (a) of Section 34183

(7) Any amounts reallocated pursuant to subdivision (b) of Section 34183.

(e) A county auditor-controller may charge the Redevelopment Property Tax Trust Fund for their costs of administering the provisions of this part. .

Section 34183. (a) For fiscal year 2011-12, the county auditor-controller shall allocate moneys in each Redevelopment Property Tax Trust Fund as follows:

(1) First, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each local agency, school or community college district an amount of property tax equal to what would have been received under Section 33670, 33401, 33607, 33607.5, 33607.7, 33676 or pursuant to any passthrough agreement between a redevelopment agency and a taxing jurisdiction that was entered into prior to January 1, 1994 that would be in force in 2011-12 but for the operation of this law in the 2011-12 fiscal year if the redevelopment agency would have been in existence but for the operation of this law. These allocations shall occur no later than December 31, 2011 and June 1, 2012.

(2) (A) Second, to the Public Health and Safety Fund. As a condition of receipt of funds pursuant to this paragraph, paragraph (4) and (5) of subdivision (e), the county auditor-controller shall transfer grants of funds from the Redevelopment Property Tax Trust Fund to the Public Health and Safety Fund in an amount not to exceed one billion, seven hundred million dollars (\$1,700,000,000) on a statewide basis specified by the Director of the Department of Finance from the amounts deposited in the Redevelopment Property Tax Trust Fund comprised of the revenues that would otherwise have been allocated to each redevelopment agency, but for the operation of this part. The Director shall use the 2008-09 Report of Financial Transactions of Redevelopment Agencies to estimate an amount for each redevelopment agency that may be

available for the Public Health and Safety Fund after needs for enforceable obligations and passthrough amounts are taken into account. These transfers shall occur on January 2, 2012 and June 1, 2012 or any later date specified by Director of Finance.

(B) The county board of supervisors may elect that the county auditor-controller not administer the Public Health and Safety Fund. In the event that the county elects not to administer the Public Health and Safety Fund, it shall notify the Director of the Department of Finance no later than September 1, 2011 whereupon the Director of the Department of Finance shall designate another entity to perform such administration functions. In such circumstance, all references relating to the administration of the Public Health and Safety Fund by the county auditor-controller for that county shall be construed as references to the entity designated by the Director of Finance.

(C) If a county does not accept responsibility for administration of the Public Health and Safety Fund, any other local agency in the county may by submitting a copy of a duly adopted resolution of its governing board, elect to perform such duties and that agency shall receive the county share of any property tax allocable under paragraph (4) and (5) of subdivision (e). In the event of multiple submissions, the Director of Finance may designate an entity from amongst those entities electing entities to be responsible for the administration of the Public Health and Safety Fund in that county.

(D) These grants to the Public Health and Safety Fund may be adjusted by the Director as additional information regarding the availability and demands upon money in each Redevelopment Property Tax Trust Fund becomes available. Funds in the Public Health and Safety Fund shall be used in amounts and for those purposes as directed by the Director of the Department of Finance, exclusively to reimburse the state for the costs of providing health care or trial court services in the county, until those monies are exhausted. These transfers shall occur no later than 15 days after the Department provides the information necessary for the payment.

(E) Entities of state government, including the Administrative Office of the Courts, that are responsible for the functions funded with monies transferred pursuant to this subdivision shall keep records, as required by the Department of Finance, of expenditures made in the county pursuant to that paragraph, and shall provide to the Department of Finance any information required by the Department with respect to those expenditures.

(3) Third, on January 2, 2012 and June 1, 2012, to successor agencies for payments listed in the Recognized Obligation Payment Schedule for the six-month fiscal period beginning January 1 or July 1, 2012, in following priority order:

(A) Debt service payments scheduled to be made for tax allocation bonds.

(B) Payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only where the agency's tax increment revenues were also pledged for the repayment of such bonds.

(C) Payments scheduled for other debts and obligations listed in the Recognized Obligation Payment Schedule that are required to be paid from former tax increment revenue.

(4) Fourth, on January 2, 2012 and June 1, 2012, to each successor agency for the administrative cost allowance as defined in Section 34171 for administrative costs set forth in an approved administrative budget for those payments required to be paid from former tax increment revenues.

(5) Fifth, on January 2, 2012, and June 1, 2012, any moneys remaining in the Redevelopment Tax Trust Fund after the payments and transfers authorized by paragraphs (1) through (4), inclusive, shall be distributed to cities, counties, and non-enterprise special districts in accordance with Section 34188. If a successor agency is other than the agency that formed a redevelopment agency, the share that would have been allocated to that agency shall instead be allocated to the agency that is the successor agency. If a local agency other than the county auditor-controller has accepted responsibility for administering the Public Health and Safety Fund in a county, the county share shall be allocated to that local agency.

(b) If the successor agency reports, no later than December 1, 2011 and May 1, 2012, to county auditor-controller that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations are insufficient to fund the payments required by subdivision (a) in the next six month fiscal period, the county auditor-controller shall notify the State Controller and the Department of Finance no later than December 10, 2011 and May 10, 2012. The county auditor shall verify whether the successor agency will have sufficient funds from which to service debts according to the schedule and shall report the findings to the state Controller. If the State Controller concurs that there are insufficient funds to pay required debt service, the amount of such deficiency shall be deducted first from the amount remaining to be distributed to taxing entities pursuant to paragraph (5), and if that amount is exhausted, from amounts available for distribution for administrative costs in paragraph (4) and third from amounts available for allocation to the Public Health and Safety Fund. If an agency, pursuant to the provisions of sections 33492.15, 33492.72, 33607.5, 33671.5, 33681.15 or 33688, made pass through payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for pass-through payments under paragraph (1), as provided in those sections, if the amounts remaining to be distributed to taxing entities pursuant to paragraph (5), the amounts available for distribution for administrative costs in paragraph (4) and the amounts available for allocation to the Public Health and Safety Fund have all been exhausted.

(c) The county treasurer may loan any funds from the county treasury that are necessary to ensure prompt payments of redevelopment agency debts.

(d) The State Controller may recover its costs of audit and oversight required under this part from the Redevelopment Property Tax Trust fund by presenting an invoice there for to the county auditor-controller who shall set aside sufficient funds for and disburse such claimed

amounts prior to making the next distributions to the taxing jurisdictions pursuant to section 34188. Subject to the approval of the Director of Finance, the budget of the State Controller may be augmented to reflect such reimbursement, pursuant to Section 28.00 of the Budget Act.

(e) For fiscal years 2012-13 and following, the county auditor-controller shall allocate moneys in each Redevelopment Property Tax Trust Fund as follows:

(1) First, the county auditor-controller shall remit from the Redevelopment Property Tax Trust Fund to each school or community college district an amount of property tax equal to what would have been received by that district, using current assessed values, under Sections 33670, 33401, 33607, 33607.5, 33607.7, 33676, as those sections read on January 1, 2011, or pursuant to any passthrough agreement between a redevelopment agency and a taxing jurisdiction that was entered into prior to January 1, 1994 that would be in force in but for the operation of this part, if the redevelopment agency would have been in existence but for the operation of this part. These allocations shall occur no later than December 31 and June 1.

(2) Second, on June 1 and January 2, to successor agencies for purposes for payments listed in the Recognized Obligation Payment Schedule for the six month fiscal period beginning on the next July 1 or January 1, in the following order of priority:

(A) Debt service payments scheduled to be made for tax allocation bonds.

(B) Payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and the agency's tax increment revenues were also pledged.

(C) Payments scheduled for other debts and obligations listed in the Recognized Obligation Payment Schedule.

(3) Third, on June 1 and January 2, to each successor agency for administrative costs, provided that no more than three percent of the amount provided pursuant to paragraph (2) may be allocated.

(4) Fourth, on June 1 and January 2, any moneys remaining in the Redevelopment Tax Trust Fund after the payments and transfers authorized by the preceding paragraphs shall be distributed to cities, counties, non-enterprise special districts and schools and community colleges pursuant to Section 34188. If a successor agency is other than the agency that formed a redevelopment agency, the share that would have been allocated to that agency shall instead be allocated to the agency that is the successor agency. If a local agency other than the county auditor-controller has accepted responsibility for administering the Public Health and Safety Fund in a county, the county share shall be allocated to that local agency.

(f) In years after fiscal year 2011-12, if the successor agency reports to the county auditor-controller to the county auditor-controller, no later than December 1 or May 1 that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the each redevelopment agency, and from funds that have or will

become available through asset sales and all redevelopment operations is insufficient to fund the payments required by this section in the next six-month fiscal period, the county auditor-controller shall notify the State Controller and the Department of Finance no later than ten days later. The county auditor shall verify whether the successor agency will have sufficient funds from which to service debts according to the schedule and shall report the findings to the Controller. If the Controller concurs that there are insufficient funds to pay required debt service, the amount of such deficiency shall be deducted first from the amount remaining to be distributed to taxing entities pursuant to paragraph (4), and if that amount is exhausted, from amounts available for distribution for administrative costs in paragraph (3). If an agency, pursuant to the provisions of Section 33492.15, 33492.72, 33607.5, 33671.5, 33681.15 or 33688, made passthrough payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for pass-through payments under paragraph (1), as provided under those sections, if the amounts remaining to be distributed to taxing entities pursuant to paragraph (4) and the amounts available for distribution for administrative costs in paragraph (3) have all been exhausted.

Section 34185. The county auditor-controller shall transfer from the Redevelopment Property Tax Trust Fund established for deposit of revenues associated with each former redevelopment agency into the Redevelopment Obligation Retirement Fund for each successor agency an amount of property taxes equal to that specified in the Recognized Obligation Payment Schedule as payable from the Redevelopment Property Tax Trust Fund.

Section 34186. Differences between actual payments and past estimated obligations on recognized obligation payment schedules must be reported in subsequent recognized obligation payment schedules and shall adjust the amount to be allocated to the Redevelopment Obligation Retirement Fund. These estimates and accounts are subject to audit by county auditor-controllers and the Controller.

Section 34187. Whenever a recognized obligation identified in the Recognized Payment Obligation Schedule is paid off or retired, either through early payment or payment at maturity, the county auditor-controller shall distribute to the taxing entities, as provided in the Revenue and Taxation Code, all property tax revenues that the redevelopment agency would have been entitled to receive before enactment of this section.

Section 34188. For all distributions of property tax and other moneys pursuant to this part, each taxing agency for which an allocation is provided shall be proportionate to its share of property tax revenues in the jurisdictional territory of the former redevelopment agency in that fiscal year, except as follows:

(a)(1) For distributions from the Redevelopment Property Tax Trust Fund, the share of each taxing entity shall be applied to the amount of property tax available in the Redevelopment Property Tax Trust Fund after deducting the amount of any distributions under paragraphs (2), (3), and (4) of subdivision (a) of Section 34183 or paragraphs (2) and (3) of subdivision (e) of Section 34183, as applicable.

(2) For each taxing agency, the amounts of any passthrough payments under paragraph (3) of subdivision (a) of Section 34183 or paragraph (1) of subdivision (e) of Section 34183 that it has received, shall be deducted from the amount determined in paragraph (1).

(b) The county shall additionally receive any sums that would otherwise have been provided to enterprise special districts, but for the operation of this part; provided, however that the county shall not receive those sums defined in paragraph (2) of subdivision (c) of Section 97.3 of the Revenue and Taxation Code.

(c) Special districts that have both enterprise and non-enterprise functions shall receive a pro-rated share proportionate to the special district's overall share of the countywide property tax that is received for its non-enterprise functions.

(d) Property tax shares shall be determined based on property tax allocations in effect on the date of distribution, without the revenue exchange amounts allocated pursuant to Section 97.68 of the Revenue and Taxation Code.

(e) The total school and community college share shall be the share of the school and community college property taxes that would have been received by schools and community colleges serving the jurisdictional territory of the former redevelopment agency.

(f) Distribution of the share to schools and community colleges will be made pursuant to Section 100.96 of the Revenue and Taxation Code.

Chapter 6. Effect of This Part on the Community Redevelopment Law

Section 34189. (a) Commencing on the effective date of this part, provisions of the Community Redevelopment Law that depend on the use of property tax increment allocable to any taxing jurisdiction other than a city, city and county, or county operating a redevelopment plan under its own auspices shall be inoperative.

(b) No tax increment can be created or pledged for debt except by a city, county, or city and county, operating under its own auspices and only from its share of the property tax.

(c) If a city, county, or city and county, operating under its own auspices pledges any tax increment or other revenues to further the purposes of a redevelopment plan, there will no longer be any pass through of revenues to other taxing jurisdictions

(d) The California Law Revision Commission is required to produce a Community Redevelopment Law cleanup bill for consideration by the Legislature no later than January 1, 2013.

(e) To the extent that any provision of Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with Section 34100) conflict with this part, the provisions of this part shall control. Further, if any provision in Part 1 (commencing with Section 33000), Part 1.5 (commencing with Section 34000), Part 1.6 (commencing with Section 34050), and Part 1.7 (commencing with

Section 34100) provides an authority that this part is restricting or eliminating, the restriction and elimination provisions of this part shall control.

(f) It is intended that the provisions of this part shall be read in a manner as to avoid duplication of payments.

SEC. 7. Chapter 7 (commencing with Section 100.96) is added to of Part 0.5 of Division 1 of the Revenue and Taxation Code, to read:

Chapter 7. Additional Revenue Allocations for Education

Section 100.96 of the Revenue and Taxation Code is added to read:

100.96. (a) Notwithstanding any other provision of law, for the 2012-13 fiscal year and each subsequent fiscal year in which revenues are available in a county to be distributed pursuant to subdivision (e) of Health and Safety Code Section 34183, each county auditor shall allocate to all elementary, high school, unified school districts, county offices of education, and community college districts within the county an equal amount per student in attendance, as defined in subdivision (b), from the revenues allocated to school and community college districts in the county pursuant to Sections 31143 and 34188 of the Health and Safety Code.

(b) The Superintendent of Public Instruction shall certify the average daily attendance of the advance apportionment of state aid in the then current fiscal year as the attendance of each school district and county office of education for purposes of this section. The Superintendent of Public Instruction shall certify the appropriate counts of average daily attendance to each county auditor no later than September 15 of each applicable fiscal year. The Chancellor of the California Community Colleges shall certify the full-time equivalent students in attendance at each community college district in each county that is used for apportioning state aid as of September of each year to the county auditor no later than September 15 of each applicable year.

(c) On or before November 15 and April 15, the auditor of each county shall furnish to the Superintendent of Public Instruction the estimated amount of tax receipts pursuant to this section of each school district situated within his or her county. Notwithstanding any other law, funding provided to schools and community colleges pursuant to this section shall not be considered allocated local proceeds of taxes for purposes of Section 8 of Article XVI of the California Constitution.

SEC. 8. No reimbursement is required by this act pursuant to Section 6 of Article XVI of the California Constitution because a local agency or school district has the authority to levy service charges or fees, or assessments sufficient to pay for the program or level of service mandated in this act, within the meaning of Section 17556 of the Government Code.

SEC 9. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to meet the current and near-term financial requirements of the state, it is necessary that this act take effect immediately.

Redevelopment Agency Dissolution and Succession Summary

The Governor's Budget Proposal for Redevelopment Agencies includes the following:

(Pg.2):

- (Section 1:1) Bar existing RDAs from incurring new obligations so the greatest amount of funds can be realized from these actions to fund core gov services
- (2) 2012-13 – allocate funds according to existing property tax allocation EXCEPT enterprise special districts – PUBLIC WORKS – to make funds available for cities, counties, special districts, school and community college districts to provide core services.
- (3) Will require a successor entity to settle RDA affairs
- (4) Successor entity to retire RDA debts with existing payment schedules
- (Pg. 5 – Chapter 1:Sec. 34163 (2) From date Act is signed RDA's will not be able to enter into contracts, incur obligations, make commitments to other entities, no loan agreements, pass through agreements, no service contracts, leases, disposition and development agreements
- (2) Cannot enter into agreements for redesign, development, demolition, alteration, construction, reconstruction, rehabilitation, site remediation, site development, land clearance or seismic retrofits
- (4) RDAs are not allowed to dispose of assets by sale, long term lease, gift, grant, exchange, transfer etc.
 - Assets include: Real Property, Deeds, Mortgages, money, accounts receivable, contract rights, grant proceeds, rents or any rights of payment of any kind
 - Real Property includes: land, buildings, structures, fixtures, improvements on land, easements, rights-of-way, etc.
- (Pg. 6 – 34164 (9) RDAs will lack the authority to:
 - Direct or cause the development, rehab, or construction of housing units within the community unless bond funds were received for such act
- Pg. 7) 34167 (a). This part is intended to preserve revenue and assets of RDAs so those not needed to pay for enforceable obligations (bonds (A)) may be used by local governments to fund core governmental services such as police, fire, schools.
- Pg. 9 – 34169 – Until successor agencies are created, RDAs shall:
 - (d) Preserve all assets

Three Funds are to be created:

Pg. 9 Sec. 34170.5 1-3

Public Health and Safety Fund –
Redevelopment Obligation Retirement Fund –
Redevelopment Property Tax Trust Fund –

Pg. 10 – 34171

- (a) Administrative budget for admin costs to the successor agency
- (b) Admin cost allowance – 5% or 3% of tax allocation not to exceed \$250,000 in any fiscal year – excludes any admin costs that could be covered from other sources
- (c) Approved development project – those required by an enforceable obligation (bond, legal loan) between agency and parties other than city council/county that is either – Well Underway or – Approved by the Oversight Board as being beneficial for taxing entities or community to continue with the project
- (d) Enforceable obligation means
 - 1. Bonds – including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing issuance of outstanding bonds
 - 2. Loans of moneys borrowed by the RDA for a lawful purpose
 - 3. Agreements to purchase or rent office space, equipment and supplies
- (i) Retained development project is a project planned by the RDA prior to dissolution and which the city wishes to continue to develop, utilizing its own funds, but which the successor agency would otherwise be directed by the oversight board to terminate due to its failure to qualify as an approved development project
- (ii) Successor agency means the city that authorized creation of the RDA

Chapter 2. (b) the Redevelopment Property Tax Fund shall be deemed to be a special fund of the agency to pay the principal of an interest on loans, moneys advanced to, or indebtedness, whether funded, refunded, assumed or otherwise incurred by the RDA to finance or refinance RDA projects

Section 34173 (a) **Successor agencies** – are provided all authority, rights, powers, duties and obligations previously vested with the RDA except those provisions of the RDA law that has been appealed

2 (a) If the city chooses not to become the successor agency, it shall not receive any property tax allocation

(3) If no local agency elects to serve, a public body will be formed and the Governor will appoint three residents to serve as the governing board until a local agency elects to become successor agency.

Section 34174 – Commencing on the effective date, all agency loans, advances of indebtedness and interest, shall be deemed extinguished and paid, provide that nothing herein is intended to absolve the successor agency of payment or other obligations due or imposed pursuant to the enforceable obligations.

Section 34175 – Any legally binding obligations that were entered into with a pledge of tax increment shall continue to have the revenues that were formerly tax increment and which are deposited into the Redevelopment Obligation Retirement Fund. These pledges and payment streams are to continue to be protected under law and that the cessation of the agency shall not affect either the pledge or stream of revenue

(b) All assets, properties, leases, books and records, buildings, and equipment of the former redevelopment agency **are transferred on July 1 to the control of the successor** for administration pursuant to the provisions of this part. Includes all cash or cash equivalents and amounts owed to the RDA as of July 1.

Section 34176 (a) The city may elect to retain the housing assets and functions previously performed by the RDA. If it elects to retain the responsibility all duties and funds from the Low and Moderate Income housing Fund will be transferred to the city.

(b) If the city does not elect to retain the housing responsibility, the funds and authority will be transferred to a housing authority.

Chapter 3 – Successor Agencies (pg 14)

Section 34177 – **The Successor Agency is required to:**

- a. Continue to make payments due for enforceable obligations (bonds)
 1. Commencing Jan 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from the funds specified in the Recognized Obligation Payment Schedule.
 2. With approval from the Oversight Board, payments can be made with other funding sources
 3. For fiscal year 2011-2012 a Successor Agency shall have no authority and is prohibited from accelerating payment unless required prior to the effective date.

- (b) Set aside or maintain reserves in the amount required by indentures, governing the issuance of outstanding bonds
- (c) Perform obligations required pursuant to any enforceable obligations
 - (d) Remit unencumbered balances of RDA funds to the county auditor-controller for distribution to the taxing entities. In making such a distribution the control will allocate and distribute as property tax proceeds
 - (e) Dispose of assets and properties of the former RDA as directed by the oversight board. Such disposal is to be done expeditiously and in a manner aimed at maximizing value. Proceeds from asset sales and related funds that are no longer needed to wind up the affairs of the agency, as determined by the oversight board, shall be transferred to the county for distribution as property tax proceeds.
- (j) Continue to oversee development activities for approved development projects until the contracted work has been completed or contractual obligations can be transferred to other parties. Bond proceeds must be used for the purposes of which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds.
- (k) Prepare a proposed administrative budget and submit it to the oversight board for its approval. The proposed administrative budget shall include all of the following:
 - 1. Estimated amounts for successor agency administrative costs for the upcoming six-month fiscal period
 - 2. Proposed sources of payment for the administrative costs
 - 3. A) Proposals for arrangements for administrative and operations services provided by The City of Los Banos
B) Costs for staff employed by the City to continue redevelopment activities with retained development projects shall be EXCLUDED from the administrative budget

Chapter 4. Oversight Boards (pg. 17)

Section 34179 (a) Each successor agency shall have an Oversight Board composed of 7 members.

- 1. One member may be selected by the County Board of Supervisors **County**
- 2. One member by the City Council **City**
- 3. One from Non-enterprise special district or County **County**
- 4. One from Supt. Of Ed **Schools**

- | | |
|---|----------------|
| 5. One from Supt of Ed. – Comm College | Schools |
| 6. One public member chosen from County | County |
| 7. One public member chosen by Supt. | Schools |

(9) The Governor may appoint individuals to fill the oversight board if vacancies exist by July 15, 2011 or positions vacant 60 days or more.

(B) The Oversight Board may direct the staff of the Successor Agency in furtherance of their duties and responsibilities under this part and the Successor Agency shall provide for ALL OF THE EXPENSES of the MEETINGS and other NECESSARY EXPENSES of the Board. Board members shall serve without compensation or reimbursement.

Section 34180. All of the following Successor Agency actions **shall first be approved** by the **Oversight Board**:

- a. The establishment of new repayment terms for outstanding loans where such terms have not been specified prior to the date of Act.
- b. Issuance of refunding bonds by Successor Agency pursuant to authority granted to Successor Agency
 - (2) Successor Agencies may refund outstanding bonds or other debt of the former RDA in order to provide for savings or to finance debt service spikes provided, however, that no additional debt is created and debt service is not accelerated
- c. Set aside amounts in reserves as required by indentures, trust indentures or similar documents governing the issuance of outstanding RDA bonds
- d. Merging of project areas
- e. Continuing the acceptance of federal or state grants or other forms of financial assistance from either public or private sources where such assistance is conditioned upon the provision of matching funds by the Successor Entity in an amount greater than five percent

(f)(1) For a city, approval to have certain projects be deemed Retained Development Projects

(2) If the **Successor Agency wishes to retain any Properties or other assets for future redevelopment activities, funded from its own funds and under its own auspices, it must reach a compensation agreement with the other taxing entities** to provide payments to them in proportion to their shares of the property tax, for the value of the property retained.

(3) If no other agreement is reached on valuation of such retained assets, the value will be the fair market value as of 2011 property tax lien date as determined by the county assessor.

(g) Establishment of the Recognized Obligation Payment Schedule

(h) Approval of a request by the successor agency to hold portions of the moneys of the Low and Moderate Income Housing Funds in reserve in order to provide cash to fund recognized obligations.

Section 34181. The Oversight Board Shall Direct the Successor Agency to:

(a) Dispose of all assets and properties of the former redevelopment **agency except for assets and properties deemed part of approved development projects.**

(b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations.

(4) Negotiate compensation agreements with other taxing entities for Retained Development Projects.

Chapter 5. Duties of County Auditor-Controllers

Section 34182 (a) (1) The county auditor controller shall conduct a financial audit of each RDA to be completed by Oct 1, 2011.

(2) The purpose of the audits shall be to establish the RDA's assets and liabilities, document the pass-through payment obligations to other taxing agencies, and document and determine both the amount and terms of any indebtedness incurred by the RDA and certify the initial Recognized Obligation Payment Schedule.

(3) The county auditor-controller may charge the Redevelopment Property Tax Trust Fund for any costs incurred.

(4) (e) A county auditor controller may charge the Redevelopment Property Tax Trust Fund for their cost of **administering the provisions.**

Section 34183 (a) for fiscal year 2011-12 money will be allocated from the Redevelopment Property Tax Trust Fund:

a. **First**, to each local agency, school or community college district their pass-through amount as received previously by the RDA

(2) (a) **Second to the Public Health and Safety Fund** – as a condition of receipt of funds, the controller shall transfer grants of funds from the Redevelopment Property Tax Trust Fund to the Public Health and Safety Fund, specified by the Director of Finance from the amounts deposited in the Redevelopment Property Tax Fund (former RDA funds) the **Director of**

Finance will use the 08-09 Report of Financial Transactions to estimate an amount for each RDA AFTER needs for enforceable obligations and pass-through amounts have been taken into account. Transferring of the Public Health and Safety Fund Dollars are to be made Jan. 2, 2012, June 1, 2012, or any later date specified by the Director of Finance.

(D) The grants to the Public Health and Safety Fund may be adjusted as additional information regarding the availability becomes available. **These funds are to reimburse the state for costs of providing health or court trial services in the county. And can be used as directed by the dept. of finance until all those monies are exhausted.**

(3) **Third**, On Jan. 2, 2012 and June 1, 2012, to Successor Agencies for payments listed in the Recognized Obligation Payment Schedule for the six-month fiscal period beginning Jan 1 or July 1, 2012 in the following priority order:

a. Debt service **payments scheduled to be made for tax allocation bonds**

b. Payments scheduled to be made on revenue bonds but only to the extent the revenues pledged for them are insufficient to make the payments and only where the agency's tax increment revenues were also pledged for repayment of such bonds.

(4) To each Successor Agency for the administration cost allowance for those payments required to be paid from former tax increment revenues

(5) **Fifth**, any money remaining after the payments and transfers shall be distributed to cities, counties, and non-enterprise special districts.

(b) If the Successor Agency reports, no later than Dec. 1, 2011 and May 1, 2012 that the total amount available to the Successor Agency are insufficient to fund payments required in the next six month fiscal period, the county auditor-controller shall notify the State Controller and Dept. of Finance. The county will verify whether there will be sufficient funds and report the findings. If the State Controller concurs, the amount of such deficiency shall be deducted from the amount remaining to be distributed to the taxing entities, then from administrative costs, and **then from the allocation to the Public Health and Safety Fund.**

© The county treasurer may loan any funds from the county treasury that are necessary to ensure prompt payments of RDA debts.

(d) **The State Controller may recover its costs of audit and oversight from the Redevelopment Property Tax Trust Fund.** Funds will be set aside by the county and made prior to the next distributions to the taxing jurisdictions.

(e) **For Fiscal years 2012-13 and following**, the controller shall allocated moneys from the Redevelopment Property Tax Trust Fund:

a. **First – to each school or community college district** the allocation received when the RDA was existent

- b. **Second – To Successor agency for purposes for payments** listed in the Recognized Obligation Payment Schedule for the six month fiscal period in the following order:
 - i. Debt service payments scheduled to be made for **tax allocation bonds**
 - ii. Payments to be made on **revenue bonds** – but only if revenues pledged are sufficient and the agency's tax increment revenues were also pledged
 - iii. Payments scheduled for other debts and obligations listed in the Recognized Obligation Schedule
 - c. **Third – Each Successor Agency for administrative costs** provided that no more than 3 percent of the amount or \$250,000 is allocated
 - d. **Fourth – Any moneys remaining shall be distributed to cities, counties, non-enterprise special districts and schools and community colleges.**
- (f) In years after fiscal year 2011-12 if the Successor Agency reports to the Control that the total amount available to the Successor Agency from all funds is insufficient to fund payments required, the controller will notify the state after verifying if there are sufficient funds. If the state agrees, the amount of such deficiency shall be deducted :
- a. First from the amount remaining to be distributed to taxing entities
 - b. Second from Administrative costs
 - c. From pass through payments



City of
Los Banos
At the Crossroads of California

Agenda Staff Report

TO: Mayor & City Council Members

FROM: Lucy Mallonee, CMC *LM*
City Clerk/Human Resources Director

DATE: April 6, 2011

SUBJECT: City Commission Vacancies

TYPE OF REPORT: Non Consent Agenda

Recommendation:

Direction from the Council on how to proceed with the following Commission appointments:

Planning Commission:

Appoint two (2) members to serve unexpired terms, both expiring December 31, 2011.

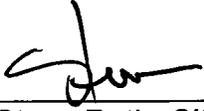
Discussion:

A Notice of Vacancy for the above commissions was published twice in the Los Banos Enterprise and the application deadline was Wednesday, March 23rd. A list of applicants is attached.

Fiscal Impact:

Should the Council wish to re-advertise vacancies the cost would be approximately \$280 which would be funded by the planning department.

Reviewed by:



Steve Rath, City Manager

LM:js

Attachments:

List of Applicants

Local Appointments List

**City of Los Banos
Planning Commission Applicants
March 23, 2011**

Applicants

Vern Hixson
Tracey Rosin
Rhonda Rusk
Jim Staples
Heiko Stichel
Kenneth Heaton, Sr.

*Applications are on file in the City Clerk's Office if you would like to review them

Local Appointments List

<u>Planning Commission</u>		<u>Term</u>
1	Vacancy (Norm Donovan resigned 2/16/11)	January 1, 2010 - December 31, 2011
2	Chandra Lee, Vice Chairperson	January 1, 2010 - December 31, 2011
3	Arkady Faktorovich	February 2, 2011 - December 31, 2012
4	Tom Mello, Chairperson	February 2, 2011 - December 31, 2012
5	Deborah Lewis	February 2, 2011 - December 31, 2012
6	Susan Toscano	February 2, 2011 - December 31, 2012
7	Vacancy (Erasmus Viveros resigned 3/1/11)	February 13, 2008 - December 31, 2011
<u>Parks & Recreation Commission</u>		<u>Term</u>
1	John Castillo, City Appointed	February 2, 2011 - December 31, 2012
2	Dionysious L. Jones Lilledahl, City Appointed	February 2, 2011 - December 31, 2012
3	Michael Stagnaro, County Appointed	January 27, 2009 - January 1, 2013
4	Lori Brandt, City Appointed	February 2, 2011 - December 31, 2012
5	Michael Neu, Chairperson, County Appointed	January 4, 2011 - January 1, 2013
6	Vacancy, School Board Appointed (Mario Gonzalez resigned 3/4/11)	- December 31, 2011
7	Nikki Tuft, City Appointed	August 5, 2009 - December 31, 2011
<u>Airport Advisory Commission</u>		<u>Term</u>
1	Dale Combs	May 19, 2010 - December 31, 2011
2	Dave Anderson	February 2, 2011 - December 31, 2012
3	Alan Wilber	February 2, 2011 - December 31, 2012
4	Daniel Beasworrick	February 2, 2011 - December 31, 2012
5	Larry Leonardo, Sr.	February 20, 2008 - December 31, 2011
<u>Culture & the Arts Commission</u>		<u>Term</u>
1	Diana Ingram	February 2, 2011 - December 31, 2012
2	Margaret Patricio	December 15, 2010 - December 31, 2011
3	Dean Young	February 2, 2011 - December 31, 2012
4	Colleen Menefee	February 2, 2011 - December 31, 2012
5	Elna Pedersen	December 15, 2010 - December 31, 2011
6	Tommy Wright	March 16, 2011 - December 31, 2011
7	Robert Huddleston	December 15, 2010 - December 31, 2011
<u>Economic Development Advisory Committee</u>		<u>Term</u>
1	Tom Faria, Council Member	February 2, 2011 - December 31, 2012
2	Elizabeth Stone, Council Member	February 2, 2011 - December 31, 2012
3	Kathy Ballard, Business Owner	February 2, 2011 - December 31, 2012
4	Kevin Slack, Community Member	January 20, 2010 - December 31, 2011
5	Mike McAdam, Business Owner	January 20, 2010 - December 31, 2011
6	Carol Shopfner, Business Owner	January 20, 2010 - December 31, 2011
7	Sandra Rae-Hansen, Community Member	January 20, 2010 - December 31, 2011
8	Wilbert Jackson, Community Member	February 2, 2011 - December 31, 2012
9	Shirley Napolitano, Community Member	February 2, 2011 - December 31, 2012

From: Manuel "Tom" Faria [mailto:manuelfaria@sbcglobal.net]
Sent: Wednesday, March 16, 2011 11:21 PM
To: Steve Rath
Subject: Council Member Agenda item Request

Steve,

I voted for the budget amendment tonight to be sure we can continue running our city without any hitches. I do believe, however, that a good deal of confusion still exists in the financial realm that only an independent cash flow analysis can solve.

For the next council meeting, I would like to place on the agenda a request for council to consider approval of an independent and highly itemized cash flow analysis.

Thanks,
Tom

From: Manuel "Tom" Faria [mailto:manuelfaria@sbcglobal.net]
Sent: Wednesday, March 16, 2011 11:24 PM
To: Steve Rath
Subject: RTIF

Steve,

I realize that we have fees studies planned, but I believe that the public still wants us to re-consider the RTIF rates sooner rather than later.

I would like to request that the re-examination and re-consideration of the RTIF rates and structure be placed on the next council agenda.

Thanks,
Tom

lucy mallonee

From: Manuel "Tom" Faria [manuefaria@sbcglobal.net]

Sent: Friday, March 18, 2011 7:40 AM

To: Steve Rath; 'Lucy Mallonee'

Subject: RTIF item on next meeting's agenda.

Steve and Lucy.

Could you please attach pages 141 and 142 of the Jan. 20, 2011 MCAG meeting agenda to my RTIF item for the next council meeting? I have listed the link below.

<http://www.mcagov.org/meetings/govbrd/012011.pdf>

Thanks,
Tom

3/18/2011

MEMORANDUM

DATE: JANUARY 13, 2011

TO: MCAG GOVERNING BOARD

FROM: JUDI PERRY, ACCOUNTANT

**RE: REGIONAL TRANSPORTATION IMPACT FEE REPORT FISCAL YEAR
2010/2011 - 1ST QUARTER**

BACKGROUND

The Regional Transportation Impact Fee (RTIF) program collects one-time fees from new development to mitigate their impact on the regional road network.

Effective August 1, 2005, the cities of Atwater, Dos Palos, Los Banos, Merced and the County of Merced began collecting RTIF fees through their permitting process. The City of Gustine began collecting the fee effective August 22, 2005. The City of Livingston has not adopted an ordinance or resolution to implement the RTIF program fee collection.

MCAG Governing Board and member jurisdictions are updated on the status of the fee collection and the proposed transportation projects through staff report updates.

DISCUSSION

Attached please find:

1. Table one (1) showing fees collected for the current fiscal year by jurisdiction.
2. Table two (2) showing fees collected to-date by jurisdiction.
3. Table three (3) showing fees collected by project and total expenditures to date.

REQUESTED ACTION

For information only.

Attachments: Table one – Fees collected for the current fiscal year by jurisdiction
Table two – Fees collected to-date by jurisdiction
Table three – Fees collected by project and total expenditures to date

TABLE 1

REGIONAL TRANSPORTATION IMPACT FEES (RTIF) COLLECTED BY JURISDICTION FOR FY 2010-2011					
JURISDICTION	1 ST QTR	2 ND QTR	3 RD QTR	4 TH QTR	TOTAL
Atwater	0.00	0.00	0.00	0.00	0.00
Dos Palos	0.00	0.00	0.00	0.00	0.00
Gustine	0.00	0.00	0.00	0.00	0.00
Livingston	0.00	0.00	0.00	0.00	0.00
Los Banos	28,307.00	0.00	0.00	0.00	28,307.00
Merced City	17,883.76	0.00	0.00	0.00	17,883.76
Merced County	66,068.53	0.00	0.00	0.00	66,068.53
Interest Earnings	845.10	0.00	0.00	0.00	845.10
Total	113,104.39	0.00	0.00	0.00	113,104.39

TABLE 2

REGIONAL TRANSPORTATION IMPACT FEES (RTIF) COLLECTED BY JURISDICTION TO-DATE SEPTEMBER 30, 2010*						
JURISDICTION	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Atwater	16,748.00	24,337.58	47,186.97	0.00	0.00	0.00
Dos Palos	31,625.00	57,080.00	17,707.00	3,115.00	0.00	0.00
Gustine	18,711.00	46,443.19	8,510.00	66,076.96	0.00	0.00
Livingston	0.00	0.00	0.00	0.00	0.00	0.00
Los Banos	69,534.00	601,678.57	433,153.29	355,488.97	182,434.83	28,307.00
Merced City	1,355,575.39	1,125,031.96	738,658.15	294,548.85	145,025.94	17,883.76
Merced County	973,251.20	446,820.36	319,704.41	474,212.31	116,274.21	66,068.53
Interest Earnings	32,060.00	141,768.17	155,912.48	114,747.50	62,057.04	845.10
Total	2,497,504.59	2,443,159.83	1,720,832.30	1,308,189.59	505,792.02	113,104.39

* Actual deposit amounts without refund deductions



City of
Los Banos

PLANNING DEPARTMENT

Date: April 13, 2011

Regarding: Notice of Public Hearing

Proposal: Use Permit #2011-02 – Spray Booth

NOTICE IS HEREBY GIVEN THAT a Public Hearing will be held by the Los Banos Planning Commission to consider a Use Permit to allow the operation of a spray booth for auto restoration at Quistian Auto. The subject property is located at 1202 F Street, more specifically described as Assessor's Parcel Number: 025-143-001.

A PUBLIC HEARING on this matter will be held at the next scheduled meeting of the Los Banos Planning Commission on Wednesday, April 13, 2011 at 7:00 p.m. in the Council Chambers of Los Banos City Hall located at 520 "J" Street. Questions regarding the above-referenced item may be directed to Stacy Souza, Assistant Planner at City Hall or at (209) 827-7000, Ext. 133.

Persons wishing to provide oral comments on the described proposal may do so at this meeting or may provide written comments on this matter prior to the public meeting. Written comments may be sent by U.S. Mail or hand delivered to the City of Los Banos City Hall at 520 "J" Street, Los Banos, California 93635. If no comments are received prior to or on the above date, it will be assumed that no comments are being offered. The public is also informed that should this matter, at some future date go to court, testimony shall be limited to only those issues raised at the public hearing or in written correspondence delivered to the City prior to, or at, the public hearing per Government Code Section 65009.

THE CITY OF LOS BANOS


Stacy Souza
Assistant Planner



Santa Rita Ave

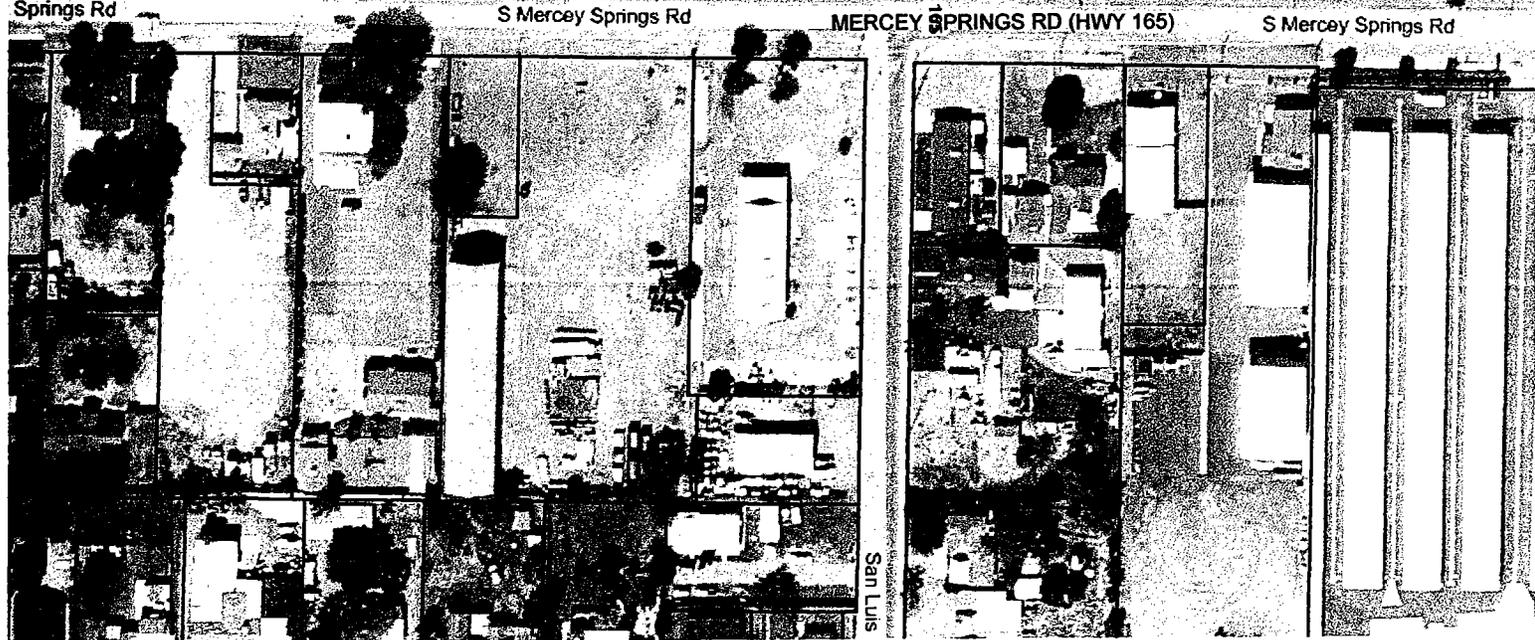
SANTARITA AVE



S Mercy Springs Rd

MERCY SPRINGS RD (HWY 165)

S Mercy Springs Rd



San Luis