

CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDING JUNE 30, 2017

IN CONNECTION WITH THE CONTINUING DISCLOSURE OBLIGATIONS:

**\$5,680,000
CITY OF LOS BANOS
REVENUE REFUNDING CERTIFICATES OF PARTICIPATION
(1993 SEWER SYSTEM PROJECT) SERIES 2003**

**CITY OF LOS BANOS
520 J Street
Los Banos, California 93635**

5,680,000
CITY OF LOS BANOS
REVENUE REFUNDING CERTIFICATES OF PARTICIPATION
(1993 SEWER SYSTEM PROJECT) SERIES 2003

MATURITY DATE
(December 1)

CUSIP

2011	545405 EC 2
2012	545405 ED 0
2013	545405 EE 8
2014	545405 EF 5
2015	545405 EG 3
2016	545405 EH 1
2017	545405 EJ 7
2018	545405 EK 4
2019	545405 EL 2

**CONTINUING DISCLOSURE ANNUAL REPORT
FOR FISCAL YEAR ENDING JUNE 30, 2017**

THIS CONTINUING DISCLOSURE ANNUAL REPORT has been prepared to satisfy the obligations of the City of Los Banos (the "City"), as provided in the following continuing disclosure certificates:

2003 Certificates. The Continuing Disclosure Certificate, dated November 19, 2003 (the "2003 Disclosure Certificate"), executed by the City, in connection with delivery of the City's \$5,680,000 Revenue Refunding Certificates of Participation (1993 Sewer System Project), Series 2003 (the "2003 Certificates,") The 2003 Certificates have been delivered pursuant to a Trust Agreement, dated as of October 1, 2003 (the "2003 Trust Agreement"), by and among the City, the Authority and the Trustee.

In accordance with Rule 15c2-12 of the Securities and Exchange Commission and as provided in Section 3 of each Disclosure Certificate, this Continuing Disclosure Annual Report is being prepared to be forwarded to the Repository listed on Exhibit A attached hereto. All capitalized terms used herein shall have the meanings set forth in each of the Disclosure Certificates.

The following information is being provided as required under Section 4 of each of the Disclosure Certificates:

(a) The audited financial statements of the City for the Fiscal Year ending June 30, 2017, are attached hereto as Exhibit B.

(b) The outstanding principal amount of the following Obligations as of June 30, 2017 is set forth as follows:

(i) 2003 Certificates: \$1,325,000.

(c) The following sets forth the Reserve Requirement and balance in the Reserve Fund for the 2003 Certificates:

(i) 2003 Certificates. Pursuant to Section 5.2 of the 2003 Trust Agreement, the City is required to establish the Reserve Fund (the "2003 Certificate Reserve Fund") in an amount equal to the Series 2003 Reserve Fund Requirement. The balance in the 2003 Certificates Reserve Fund as of June 30, 2017 is [\$482,806].

(d) An update of the following tables from the Official Statement, dated November 6, 2003 with respect to the 2003 Certificates, in regards to the City's Fiscal Year ending June 30, 2017:

(i) **Assessed Valuation of Property within the City**

Set forth below is a summary of assessed valuation of property in the City. The increases reflect both development of land within the City as well as annexations of additional property into the City.

**ASSESSED VALUATION OF
PROPERTY WITHIN THE CITY**

<i>Fiscal Year Ended June 30</i>	<i>Total Assessed Valuation</i>	<i>Increase</i>
2017	\$2,617,538,386	8.23%
2016	2,418,558,134	6.68
2015	2,267,153,380	6.74
2014	2,124,093,444	15.31
2013	1,842,142,140	5.46

Source: Merced County Auditor-Controller and the City.

(ii) **Historical Sewer System Usage**

The following table summarizes the volume of wastewater treated for the period June 30, 2013 through June 30, 2017. The City reports that daily average flow has not increased in proportion to the increase in service connections due to lower average flow from new connections and industrial flow.

**CITY OF LOS BANOS
HISTORIC SEWER SYSTEM USAGE**

<i>Fiscal Year Ended June 30</i>	<i>Daily Average Flow (mgd)</i>	<i>Increase</i>
2017	2.75	(0.72)%
2016	2.77	(4.15)
2015	2.89	(1.36)
2014	2.93	2.00
2013	2.87	(1.00)

Source: City.

(iii) **Historic Sewer System Connections**

The following table presents a summary of service connections to the Sewer System for the period June 30, 2013 through June 30, 2017.

**CITY OF LOS BANOS
HISTORIC SEWER SYSTEM CONNECTIONS**

<i>Fiscal Year Ended June 30</i>	<i>Service Connections</i>	<i>Increase</i>
2017	11,294	1.830%
2016	11,091	1.250
2015	10,953	0.003
2014	10,914	0.005
2013	10,865	0.003

Source: City.

(iv) **Historic Sewer System Collection and Treatment Revenues**

The following table shows annual collection and treatment revenues of the Sewer System for period June 30, 2013 through June 30, 2017.

**CITY OF LOS BANOS
HISTORIC SEWER SYSTEM COLLECTION AND TREATMENT REVENUES**

<i>Fiscal Year Ended June 30</i>	<i>Sewer Revenues</i>	<i>Increase</i>
2017	\$5,361,907	2.71%
2016	5,220,373	5.63
2015	4,942,312	6.99
2014	4,619,513	7.94
2013	4,279,704	22.20

Source: City.

(v) **Largest Sewer System Users**

The following table sets forth the ten largest users of the Sewer System as of June 30, 2017 as determined by annual payments.

**CITY OF LOS BANOS
TEN LARGEST SEWER SYSTEM USERS**

<i>User</i>	<i>Type of Business</i>	<i>Annual Payment</i>
California Dairies Inc.	Milk Products	\$204,055.45
Pacheco High School	School	102,616.80
Kagome	Tomato Processing	98,557.35
Los Banos High School	School	87,892.20
CTC Investors, LLC	Multi Family Rental	51,703.92
Los Banos Jr. High School	School	35,103.75
Rancho LB Mobile Park	Mobile Park	34,032.96
Prairie Springs Jr. High School	School	33,517.44
R.M. Miano Elementary	School	29,942.55
Los Banos Elementary	School	29,874.24

Source: City.

(vi) Sewer Rates

The current schedule of Sewer System rates for users of the City's System, described below and in effect since July 1, 2015, is set forth below:

**CITY OF LOS BANOS
SEWER RATES EFFECTIVE July 1, 2015**

<i>Type of Usage</i>	<i>Rates</i>
Single family residence ⁽¹⁾	\$27.27
Multiple family residence ⁽²⁾	\$27.27
Commercial Users ⁽³⁾	\$38.00

⁽¹⁾ Rates are per month and include rates for treatment and collection.

⁽²⁾ Rates are per month and include rates for treatment and collection for condominium unit, apartment unit, mobile home and motel manager's quarters. Each unit in excess of one incurs an additional charge of \$19.00 per unit for wastewater collection and an additional charge of \$8.27 per unit for wastewater treatment.

⁽³⁾ Represents range of base rates for commercial users. In addition, wastewater treatment fees range from \$1.67 per 100 cubic feet of water to \$2.37 per 100 cubic feet of water. These rates do not reflect a special rate formula for dairy products and meat packing plants. Hotels and motels incur an additional fee of \$9.37 per month for rooms with kitchen facilities or in the alternative an additional \$4.73 for rooms without kitchen facilities. Places of religious worship and areas for students have different rates.

Source: City.

The chart below sets forth a comparison of the City current monthly rates and charges for the Sewer System for a single family residential user to those of nearby communities:

**CITY OF LOS BANOS
COMPARATIVE MONTHLY SEWER SYSTEM RATES⁽¹⁾**

<i>Community</i>	<i>Rates</i>
Los Banos	\$27.27
Turlock ⁽²⁾	28.95-91.15
Gustine	24.13
Manteca	51.25
Merced	40.29
Ceres	56.30
Tracy	34.00

⁽¹⁾ Includes sewer treatment and sewer collection fees.

⁽²⁾ Includes an administrative charge of \$8.15.

Source: City, City of Turlock, City of Gustine, City of Manteca, City of Merced, City of Ceres and City of Tracy.

(vii) **Historic Operating and Debt Service Coverage**

The following table is a summary of operating results of the Sewer System of the City for the last five fiscal years. Except as noted, the results have been derived from the City's Financial Statements but exclude certain non cash items and include certain other adjustments. The table has not been audited by the City Auditor.

**CITY OF LOS BANOS
SEWER SYSTEMS HISTORIC OPERATING RESULTS
FISCAL YEAR ENDED JUNE 30**

	<i>2017</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Revenues					
Collection Fees	\$3,257,548	\$3,192,304	\$ 2,997,107	\$ 2,784,350	\$ 2,570,546
Treatment Fees	2,104,360	2,028,070	1,945,205	1,835,163	1,709,158
Connection Fees	1,342,150	727,621	340,106	46,150	26,519
Other	<u>285,468</u>	<u>514,268</u>	<u>330,450</u>	<u>375,823</u>	<u>272,918</u>
Total Revenues	\$6,989,526	\$6,462,263	\$ 5,612,868	\$ 5,041,486	\$ 4,579,141
Operation and Maintenance	<u>\$4,193,081</u>	<u>\$4,407,478</u>	<u>\$ 4,000,978</u>	<u>\$ 4,170,636</u>	<u>\$ 4,131,577</u>
Net Revenues	<u>\$2,796,445</u>	<u>\$2,054,785</u>	<u>\$ 1,611,890</u>	<u>\$ 870,850</u>	<u>\$ 447,564</u>
Debt Service	\$ 534,709	\$ 535,896	\$ 538,589	\$ 2,482,443 ⁽¹⁾	\$ 878,434
Coverage Ratio	5.23	3.83	2.99	0.35	0.51
Balance Available for Capital for Other Purposes	\$2,261,736	\$1,518,889	\$ 1,073,301	\$ (1,611,593)	\$ (430,870)

⁽¹⁾ Principal and interest on the 1997 Installment Purchase Agreement. The 1997 installment purchase agreement was paid off in 2014.

Source: City.

(viii) **Assessed Valuation**

Total assessed valuation of City property for the past ten years is set forth in the table below.

**CITY OF LOS BANOS
ASSESSED VALUE OF TAXABLE PROPERTY⁽¹⁾
LAST TEN FISCAL YEARS**

<i>Fiscal Year</i>	<i>Assessed Valuation</i>
2008	3,019,907,378
2009	2,165,946,673
2010	1,685,226,932
2011	1,741,286,790
2012	1,746,843,921
2013	1,842,142,140
2014	2,124,093,444
2015	2,267,153,380
2016	2,418,558,134
2017	2,617,538,386

⁽¹⁾ Includes secured and unsecured property.
Source: Merced County Auditor-Controller and the City.

(ix) **City Budgetary Process**

The following table sets forth the City's adopted budgets for Fiscal Years 2016-17 and 2017-18.

**CITY OF LOS BANOS
GENERAL FUND
ADOPTED BUDGETS FOR FISCAL YEARS 2016-17 AND 2017-18**

	<i>2016-17 Adopted Budget</i>	<i>2017-18 Adopted Budget</i>
RESOURCES AVAILABLE FROM PRIOR YEARS		
Tax Revenues	\$ 9,901,247	\$10,397,471
Charges for Services and Facilities	2,783,263	3,121,777
Intergovernmental Revenues	927,050	1,039,000
Intragovernmental Revenues	76,600	109,600
Other Revenues	<u>76,122</u>	<u>72,000</u>
TOTAL RESOURCES	\$ 13,764,282	\$ 14,739,848
Employee Services	\$ 12,104,860	\$ 12,935,843
Operations and Maintenance	5,266,221	5,912,935
Interdepartmental Charges		
Transfers, Charge outs and Contingencies	(2,428,722)	(2,853,654)
Other Expenditures	<u>8,800</u>	<u>7,950</u>
TOTAL OPERATING EXPENDITURES	\$14,951,159	\$16,003,074

Source: City.

(x) **Long-Term Lease Obligations**

The following table presents any long-term payments for leases which the City has entered into and fund from which the obligation is payable. In addition, the following table also presents any payments for short-term leases for items of equipment which the City has entered into with various vendors and the fund from which the obligation is payable.

**CITY OF LOS BANOS
LONG-TERM LEASE OBLIGATIONS
As of June 30, 2017**

<i>Project</i>	<i>Obligor</i>	<i>Outstanding Balance</i>	<i>Expiration Date</i>
5 Trucks	City(GF, WW, SW)*	\$ 80,456	January 1, 2019
3 Trucks & 1 Van	City(GF, W, WW, SW)*	125,884	July 11, 2020
Aerial Truck	City(GF)*	<u>47,410</u>	September 5, 2020
	Total	<u><u>\$253,750</u></u>	

*GF= General Fund, W=Water Fund, WW=Wastewater Fund, and SW=Solid Waste Fund

Source: City.

The information set forth herein has been obtained from sources believed by the City to be reliable.

CITY OF LOS BANOS

Dated: 3/21/18

By: Sonya Williams
Sonya Williams, Finance Director

EXHIBIT A

REPOSITORY LIST

Nationally Recognized Municipal Securities Information Repository approved by the Securities and Exchange Commission as of the date hereof:

Municipal Securities Rulemaking Board

1900 Duke Street, Suite 600

Alexandria, VA 22314

Phone: (703) 797-6600

Fax: (703) 797-6700

<http://emma.org>

EXHIBIT B
FINANCIAL STATEMENTS OF THE CITY OF LOS BANOS
ENDING JUNE 30, 2017