SENIOR CENTER AGREEMENT

This Agreement is entered into this 17th day of June, 2002, by and between the CITY OF COSTA MESA, a municipal corporation, ("CITY"), and the COSTA MESA SENIOR CORPORATION, a California non-profit corporation ("TENANT").

RECITALS

WHEREAS, CITY desires to provide the senior citizens of Costa Mesa with a multipurpose senior citizens facility in which they can congregate for social and recreational activities; and

WHEREAS, TENANT was formed with its purpose to maintain and operate a multipurpose senior citizens facility for the senior citizens of the City of Costa Mesa.

NOW THEREFORE, the CITY and TENANT agree to the following terms and conditions:

1. PREMISES

CITY hereby leases to TENANT and TENANT hereby leases from CITY, on the terms and conditions hereinafter set forth, that certain real property and the building located thereon situated in the City of Costa Mesa, County of Orange, State of California, commonly known as Costa Mesa Senior Citizen Center, located at 695 West 19th Street, Costa Mesa, California; and described in Exhibit "A" attached hereto and made a part of this Agreement by this reference ("PREMISES").

2. TERM

The term of this Agreement is for a period of one (1) year commencing on July 1, 2002 and ending on June 30, 2003, unless terminated at an earlier time as provided in Section 15. Said term may be extended for up to two (2) additional one (1) year periods as determined by City Council of CITY.

3. RENT

TENANT shall pay to CITY as rent for the PREMISES the sum of One Dollar ($1.00) per year, due on the first day of July of each year for the term of this

Agreement. Rent shall be payable without notice or demand and without any deduction, offset, or abatement in lawful money of the United States.

4. USE

a. TENANT shall use the PREMISES only for providing senior citizen services and programs and for no other purpose without CITY's prior written consent. TENANT shall comply with all laws concerning the PREMISES or TENANT's use of the PREMISES including without limitation, the obligation at TENANT's cost to alter, maintain or restore the PREMISES in compliance and conformity with all laws relating to the correction, use, or occupancy of the PREMISES by TENANT during the term of this Agreement. TENANT shall not use or permit the use of the PREMISES in any manner that will tend to create waste or a nuisance.

b.. TENANT hereby accepts the PREMISES in their condition existing as of the date that TENANT takes possession of the PREMISES subject to all applicable zoning, municipal, county and state laws, ordinances, regulations governing or regulating the use of the PREMISES and accepts this Agreement subject thereto and to all matters disclosed thereby. TENANT hereby acknowledges that CITY has not made any representation or warranty to TENANT as to the suitability of the PREMISES for the conduct of TENANT's business.

5. TAXES

TENANT shall pay before delinquency all taxes assessed against and levied upon the trade fixtures, furnishings, equipment and other personal property of TENANT contained on the PREMISES. If any of TENANT's said personal property shall be assessed as CITY's property, TENANT shall pay to CITY the taxes attributable to TENANT within ten (10) days after receipt of a written statement from CITY setting forth the applicable taxes. Failure to pay the subject taxes shall constitute a default of the Agreement as provided herein.

6. UTILITIES

a. TENANT shall make all arrangements and pay for all telephone services supplied to the PREMISES.

b. TENANT shall make all arrangements and pay for all utilities provided to the building located on the PREMISES.

c. TENANT shall at all times maintain the thermostats at the Federal Law Energy Saving Level.

7. MAINTENANCE AND REPAIRS

a. Except for damages caused by any negligent or intentional act or omission of TENANT, TENANT's agents, employees or invitees, CITY shall keep in good condition and repair the following items: the foundations, roof, exterior doors (excluding glass), landings, balconies and exterior walls of the PREMISES. CITY shall also maintain the landscaping (hardscape and landscape maintenance) and other improvements of which the PREMISES are a part.

b. TENANT, at TENANT's sole cost and expense, shall be responsible for keeping in good order, condition and repair the interior of the PREMISES, and every part thereof (including but not limited to HVAC, stoves, ovens). Such maintenance shall include, but not be limited to, the following: general cleaning (janitorial services); windows (including all glass throughout PREMISES); damaged, broken or clogged toilets; carpets, including annual cleaning; drapes, including annual cleaning; interior doors; interior furnishings; interior fixtures; plumbing; and other interior improvements.

8. PROGRAMS AND SERVICES

a. TENANT shall administer and provide through its own efforts all funding for all senior citizen programs and services undertaken by TENANT.

b. TENANT shall present to CITY on May 15th for each fiscal year beginning July 1, a budget for funding such programs and services. CITY shall have the sole discretion to determine whether to grant and fund the budget request by TENANT. TENANT shall present to CITY on or before September 30th of each year, an annual financial report that shall include a profit/ loss statement and all attendance data related to senior citizen programming.

c. TENANT shall design and present recreational, cultural and social programs for senior citizens on a non-discriminatory basis compatible with the standards for the operation of a senior citizens facility developed by the National Institute of Senior Citizens of the National Council on Aging.

d. TENANT shall select, employ and compensate qualified personnel.

e. TENANT shall provide for all necessary insurance requirements as established by this Agreement.

f. TENANT is and shall act as an independent agency and not as an officer, employee or agent of CITY.

g. TENANT shall not unreasonably withhold from CITY the use of the facility for public purposes, when available, upon written request by CITY to TENANT. Use of the facilities will be at no cost to CITY.

h. TENANT shall not discriminate in the hiring of personnel on the basis of race, color, religion, sex, age, national origin, ancestry or handicap. In addition, TENANT shall not permit any contractor to discriminate in the delivery of services hereunder based on color, race, religion, sex, national origin, ancestry or handicap. TENANT shall comply with the Civil Rights Act of 1984, as amended, and all regulations applicable thereto. TENANT shall further comply with all pertinent Federal, State and local regulations, including prevailing wage statutes to the extent applicable.

i. TENANT shall establish a Drug Free Awareness Program to inform employees of the dangers of drug abuse in the workplace, the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace, and the employee assistance programs available to employees. Each employee must be notified of this Drug Free Awareness Program and must abide by its terms. TENANT shall conform to all the requirements of CITY's Policy No. 100-5, attached hereto as Exhibit "B".

Failure to establish a program, notify employees, or inform CITY of a drug related workplace conviction shall constitute a material breach of, and cause for immediate termination of this Agreement by CITY.

j. TENANT shall not use CITY funds for the conduct of any religious or political activity pursuant City Council Policy No. 800-3, Cultural Arts Funding Policy, attached hereto as Exhibit "C".

9. FUNDING

a. CITY may, in its sole discretion, provide interim funds for TENANT for the operation of senior citizen programs at the PREMISES for a period of one (1) year (and subject to optional term extensions) from the date of this Agreement, unless CITY exercises the termination of possession option as identified in Section 15(c), as follows:

CITY CONTRIBUTION

2002-2003	$150,000
2003-2004	$150,000
2004-2005	$150,000

If CITY chooses to exercise its termination of possession pursuant to Section 15(c), all funding by CITY would cease.

b. To the extent funds are available, as determined by CITY in its sole discretion, City further agrees to match, dollar for dollar, contributions received by TENANT as follows:

2002-2003 - Match dollar for dollar to a maximum of $100,000

2003-2004 - Match dollar for dollar to a maximum of $100,000

2004-2005 - Match dollar for dollar to a maximum of $100,000

Contributions eligible for matching funds from CITY are defined as cash donations received from individuals, organizations, corporations, private foundations, and cash donations received from fund raising events in excess of the cost of the event. Grants from governmental agencies Federal, State, County, or City public dollars are excluded from such definition. The maximum total of CITY annual contributions and matching funds may not exceed $250,000. Such interim funding may be payable to TENANT in four (4) quarterly payments upon receipt of CITY of an invoice from TENANT which shall be processed on or near the first day of July, October, January and April and shall include a report by TENANT of all revenues received in the preceding quarter. Matching contributions may be paid by CITY with proof of contributions collected during that quarter. All funding is contingent on the adoption of the annual budget of CITY.

c. To the extent funds are available, as determined by the City in its sole discretion, CITY agrees to reimburse TENANT for the actual cost of the repairs and maintenance outlined in Section 7 up to a maximum of $50,000 per year. Such maintenance funding may be payable to TENANT in 4 quarterly payments. City shall reimburse TENANT up to $12,500 per quarter, up to a maximum of $50,000 per year.

10. EQUIPMENT, FURNISHINGS AND FIXTURES

TENANT agrees that any and all equipment, furniture, fixtures and machinery purchased or provided by the CITY for TENANT during the term of this Agreement shall, upon termination or expiration of this Agreement, become the property of CITY and remain on the PREMISES unless otherwise agreed upon in writing by CITY.

11. ALTERATIONS AND ADDITIONS

TENANT shall not, without CITY's prior written consent, make any alterations, improvements or additions in or about the PREMISES. TENANT, at CITY's option, may be required by CITY to remove any such alterations, improvements, or additions at the expiration of the term of this Agreement and to restore the PREMISES to their prior condition by giving TENANT thirty (30) days written notice prior to the expiration of the term.

TENANT shall notify CITY in writing at least thirty (30) days before commencement of any work relating to the alterations, additions, or improvements affecting the PREMISES. Work shall not commence until written approval has been obtained from CITY. Such approval and any special conditions pertaining to the work required of TENANT by CITY shall be signed by the parties and made a part of this Agreement. Permits and licenses necessary for the work shall also be obtained by TENANT before commencement of the work.

TENANT shall pay, when due, all claims for labor and materials furnished to or for TENANT at or for use in the PREMISES. TENANT shall not permit any mechanic's liens or material men's liens to be levied against the PREMISES for any labor or material furnished to TENANT or claimed to have been furnished to TENANT or TENANT's agents or contractors in connection with work of any character performed or claimed to have been performed on the PREMISES by or at the direction of TENANT.

Unless CITY requires their removal as set forth above, all alterations, improvements or additions which are made on the PREMISES by TENANT shall become the property of CITY and remain upon and be surrendered with the PREMISES at the expiration of the term of this Agreement or any sooner termination as provided herein. TENANT's trade fixtures, furniture, equipment and other machinery, in addition to that which is affixed to the PREMISES shall also become the property of City and remain upon the PREMISES at the termination or expiration on the term of this Agreement unless otherwise agreed upon by the parties in writing.

12. INSURANCE

TENANT shall obtain and maintain during the term of this Agreement comprehensive general liability, including premises operations, broad form property damage, and personal injury insurance coverages.

Endorsements shall be obtained for the policies providing the above insurance for the following three provisions:

i. Additional Insureds:

"The City of Costa Mesa and its elected and appointed boards, officers, agents, volunteers and employees are additional insureds with respect to this subject project and contract with CITY."

ii. Notice:

"Said policy shall not terminate, nor shall it be cancelled, nor the coverage reduced, until thirty (30) days after written notice is given to CITY."

iii. Other Insurance:

"Any other insurance maintained by the City of Costa Mesa shall be excess and not contributing with the insurance provided by this policy."

The policy limits on all the above shall be not less than One Million Dollars ($1,000,000) combined single limits, per occurrence and aggregate.

13. INDEMNITY

TENANT shall indemnify and hold CITY harmless from and against any and all claims arising from TENANT's use or occupancy of the PREMISES or from the conduct of its business or from any activity, work, or things which may be permitted to suffered by TENANT in or about the PREMISES including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising therefrom.

14. ASSIGNMENT

TENANT shall not voluntarily or by operation of law assign, transfer, sublet, mortgage, or otherwise transfer or encumber all or any part of TENANT's interest in this Agreement or in the PREMISES without CITY's prior written consent. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without such

consent shall be void and shall constitute a breach of this Lease and be cause for termination of this Agreement.

Regardless of CITY's consent, no subletting or assignment shall release TENANT of TENANT's obligation to pay the rent and to perform all other obligations to be performed by TENANT hereunder for the term of this Agreement.

15. DEFAULT

a. The occurrence of anyone or more of the following events shall constitute a default and breach of this Agreement by TENANT:

i. Failure to pay rent when due, if the failure continues for five (5) days after written notice has been given to TENANT.

ii. Failure to pay taxes on TENANT's property, when due, if the failure continues for ten (10) days after written notice has been given to TENANT.

iii. Abandonment and vacation of the PREMISES (failure to occupy the PREMISES for fourteen (14) consecutive days shall be deemed an abandonment and vacation).

iv. Failure to perform any other provision of this Agreement if the failure to perform is not cured within thirty (30) days after written notice thereof has been given to TENANT by CITY.

Notices given under this paragraph shall specify the alleged default and the applicable lease provisions, and shall demand that TENANT perform the provisions of this Agreement or pay the rent that is in arrears as the case may be, within the applicable period of time. No such notice shall be deemed a forfeiture or a termination of this Agreement unless CITY so elects in the notice.

b. CITY shall have the following remedy if TENANT commits a default under this Agreement: termination of the Agreement with sixty (60) days advance notice. This remedy is not exclusive, but is cumulative and in addition to any remedies now or hereafter allowed by law.

16. SIGNS

TENANT shall not have the right to place, construct or maintain any sign, advertisement, awning, banner, or other exterior decorations on the building or other improvements that are a part of the PREMISES without CITY's prior written consent.

17. SURRENDER

a. On the last day of the term hereof, or on any sooner termination, TENANT shall surrender the PREMISES to CITY in good condition, broom clean, ordinary wear and tear excepted. Upon CITY's written consent, TENANT shall remove, at its sole cost, any such designated personal property and fixtures on the PREMISES occasioned by its use thereof, or by the removal of TENANT's trade fixtures, furnishing and equipment which repair shall include the patching and filling of holes and repair of structural damage. If TENANT fails to surrender the PREMISES to CITY on the expiration of the Agreement as required by this paragraph, TENANT shall defend and hold City harmless from all damages resulting from TENANT's failure to vacate the PREMISES, including, without limitation, claims made by any succeeding TENANT resulting from TENANT's failure to surrender the PREMISES.

b. In the event CITY determines that TENANT's use of the PREMISES constitutes a violation of law, a nuisance or waste, TENANT shall surrender the PREMISES on three (3) days written notice, and TENANT shall hold CITY harmless from all damages resulting from CITY's efforts to abate such activities.

18. HOLDING OVER

If TENANT, with CITY's consent, remains in possession of the PREMISES after the expiration or termination of the term of this Agreement, such possession by TENANT shall be deemed to be a tenancy from month-to-month at a rental in the amount of the last annual lease payment divided by twelve (12) plus all other charges payable hereunder, upon all the provisions of this Agreement applicable to month-to-month tenancy.

19. NOTICES

Any demand, notice or declaration provided for under this Agreement shall be in writing and served either personally or sent by registered or certified United States mail, postage prepaid, addressed to the parties as set forth below:

CITY	TENANT
City Clerk	President
City of Costa Mesa	Costa Mesa Senior Center Corp.

77 Fair Drive
Costa Mesa CA 92626

695 West 19th Street
Costa Mesa CA 92627

Such notice shall be deemed to be received within forty-eight (48) hours from the time of mailing, if mailed as provided for in this Section 19.

20. INSPECTIONS

CITY shall have the right to enter the PREMISES at all reasonable times, without notice, for the purpose of inspecting same, showing the same to prospective purchasers or lenders, and making such alterations, repairs, improvements or additions to the PREMISES or to the building of which the PREMISES are a part as CITY may deem necessary or desirable.

21. SENIOR TRANSPORTATION SERVICES

CITY shall provide, or cause to be provided, at its own cost and expense, a transportation program for the purpose of transporting senior citizen residents of CITY to various locations throughout the City. The senior transportation service shall be available from 8am until 5pm, Monday through Friday and shall be open to all seniors who are residents of CITY. All trips conducted through the senior transportation service shall be limited to within the city limits of CITY, with the exception of Hoag Hospital Newport Beach. Trips conducted through the senior transportation service may be taken to locations necessary to improve the seniors' quality of life. Examples include trips for doctor appointments, banking, shopping, senior activities or visits with friends.

CITY shall provide, or cause to be provided, the following: vehicle(s) to be used for senior transportation; drivers; maintenance of vehicles; and insurance.

The Senior Transportation Services will not operate on the following CITY holidays: New Years Day, Martin Luther King Day, Presidents Day, Memorial Day, 4th of July, Labor Day, Veterans Day, Thanksgiving Day, Christmas Day. CITY shall provide to TENANT as much notice as is reasonably possible of scheduled maintenance for the senior transportation service and other planned circumstances under which the senior transportation services will not be provided.

TENANT shall provide the following: scheduling services for the senior transportation services; telephone information service for users to ask questions, make reservations, etc.; daily trip sheets that include the itinerary of individuals and pick/drop-off times and locations to CITY; and a log of individuals/trips/locations

to CITY on a weekly basis. TENANT will cooperate fully with any and all audits and inspections of the Senior Mobility Program by CITY and/or outside agency.

22. WAIVERS

No waiver by City of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by TENANT of the same or any other provision. CITY's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of CITY's consent to or approval of any subsequent act by TENANT. The acceptance of rent hereunder by CITY shall not be a waiver of any preceding breach by TENANT of any provision hereof, other than the failure of TENANT to pay the particular rent so accepted, regardless of CITY's knowledge of such preceding breach at the time of its acceptance of such rent.

23. PRIOR AGREEMENTS

This Agreement constitutes the entire agreement between the parties with respect to any matter referenced herein and supersedes any and all writings and oral negotiations. This Agreement may be modified only in writing, and signed by the parties in interest at the time of such modification. The terms of this Agreement shall prevail over any inconsistent provision in any other contract document appurtenant hereto.

24. SEVERABILITY

The unenforceability, invalidity, or illegality of any provision of this Agreement shall not render the other provisions hereof unenforceable, invalid or illegal.

25. TERMINATION

Except as provided in Section 15, either party may terminate this Agreement at any time by giving the other written notice no fewer than ninety (90) days in advance of such termination and in accordance with the provisions for giving notice as set forth in Section 19. In the event of such termination, CITY has the right to recover from TENANT the worth, at the time of the award, of the unpaid rent that had been earned at the time of the termination of this Agreement and any other amount, including, but not limited to any court costs and attorney's fees necessary to compensate CITY for the eviction of TENANT.

IN WITNESS WHEREOF, CITY, by order of its City Council, has caused this Agreement to be executed on its behalf by the Mayor of said City, and TENANT has caused this Agreement to be executed by its officers.

DATED this 18 day of June, 2002

CITY OF COSTA MESA

By: Linda W. Dixon
Mayor

COSTA MESA SENIOR CORP

By: Jarrel Richards

Title: Board Chair

APPROVED AS TO FORM:

Linda Wayne DCA
for City Attorney

CITY COUNCIL APPROVED ON:

June 17, 2002
Date

EXHIBIT A

DESCRIPTION OF PREMISES

EXHIBIT "A"

LEGAL DESCRIPTION

COSTA MESA SENIOR CENTER
695 W. 19TH STREET
APN: 424-211-01

LEGAL DESCRIPTION:

LOT 501, NEWPORT MESA TRACT, AS PER MAP RECORDED IN BOOK 5, PAGE 1 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPT THE EASTERLY 160 FEET THEREOF.

ALSO EXCEPT ONE-HALF OF ALL OIL, GAS, MINERALS AND HYDROCARBON SUBSTANCES IN OR UNDER ALL OF THE ABOVE DESCRIBED LAND; HOWEVER, NO RIGHT IS RESERVED TO ENTER ON THE SURFACE OF SAID PROPERTY FOR THE PURPOSE OF EXPLORING FOR OR EXTRACTING OIL, GAS AND MINERALS, AS RESERVED IN THE DEEDS FROM ELIZABETH W. FARRAR AND OTHERS, RECORDED AUGUST 11, 1953 IN BOOK 2553, PAGES 624 AND 628 OF OFFICIAL RECORDS, AND IN BOOK 2554, PAGES 23 AND 10 OF OFFICIAL RECORDS.

SUBJECT TO ALL COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS, RIGHTS, RIGHTS OF WAY AND EASEMENTS OF RECORD, IF ANY.

EXHIBIT B

CITY COUNCIL POLICY NO. 100-5

CITY OF COSTA MESA, CALIFORNIA
COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
DRUG-FREE WORKPLACE	100-5	8/8/89	1 OF 2

BACKGROUND

Under the Federal Drug-Free Workplace Act of 1988, passed as part of omnibus drug legislation enacted November 18, 1988, contractors and grantees of Federal funds must certify that they will provide drug-free workplaces. At the present time, the City of Costa Mesa, as a sub-grantee of Federal funds under a variety of programs, is required to abide by this Act. The City Council has expressed its support of the national effort to eradicate drug abuse through the creation of a Substance Abuse Committee, institution of a City-wide D.A.R.E. program in all local schools and other activities in support of a drug-free community. This Policy is intended to extend that effort to contractors and grantees of the City of Costa Mesa in the elimination of dangerous drugs in the workplace.

PURPOSE

It is the purpose of this Policy to:

1. Clearly state the City of Costa Mesa's commitment to a drug-free society.
2. Set forth guidelines to ensure that public, private, and nonprofit organizations receiving funds from the City of Costa Mesa share the commitment to a drug-free workplace.

POLICY

The City Manager, under direction by the City Council, shall take the necessary steps to see that the following provisions are included in all contracts and agreements entered into by the City of Costa Mesa involving the disbursement of funds.

1. Contractor or Sub-grantee hereby certifies that it will provide a drug-free workplace by:
   - A. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in Contractor's and/or sub-grantee's workplace, specifically the job site or location included in this contract, and specifying the actions that will be taken against the employees for violation of such prohibition;
   - B. Establishing a Drug-Free Awareness Program to inform employees about:
     1. The dangers of drug abuse in the workplace;
     2. Contractor's and/or sub-grantee's policy of maintaining a drug-free workplace;
     3. Any available drug counseling, rehabilitation and employee assistance programs; and
     4. The penalties that may be imposed upon employees for drug abuse violations occuring in the workplace;
   - C. Making it a requirement that each employee to be engaged in the performance of the contract be given a copy of the statement required by Subparagraph A;
   - D. Notifying the employee in the statement required by Subparagraph 1 A that, as a condition of employment under the contract, the employee will:
     1. Abide by the terms of the statement; and
     2. Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction;

CITY OF COSTA MESA, CALIFORNIA
COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
DRUG-FREE WORKPLACE	100-5	8/8/89	2 OF 2

E. Notifying the City of Costa Mesa within ten (10) days after receiving notice under Subparagraph 1 D 2 from an employee or otherwise receiving the actual notice of such conviction;

F. Taking one of the following actions within thirty (30) days of receiving notice under Subparagraph 1 D 2 with respect to an employee who is so convicted:

1. Taking appropriate personnel action against such an employee, up to and including termination; or

2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health agency, law enforcement, or other appropriate agency;

G. Making a good faith effort to maintain a drug-free workplace through implementation of Subparagraphs 1 A through 1 F, inclusive.

2. Contractor and/or sub-grantee shall be deemed to be in violation of this Policy if the City of Costa Mesa determines that:

A. Contractor and/or sub-grantee has made a false certification under Paragraph 1 above;

B. Contractor and/or sub-grantee has violated the certification by failing to carry out the requirements of Subparagraphs 1 A through 1 G above;

C. Such number of employees of Contractor and/or sub-grantee have been convicted of violations of criminal drug statutes for violations occurring in the workplace as to indicate that the Contractor and/or sub-grantee has failed to make a good faith effort to provide a drug-free workplace.

3. Should any Contractor and/or sub-grantee be deemed to be in violation of this Policy pursuant to the provisions of 2 A, B, and C, a suspension, termination or debarment proceeding subject to applicable Federal, State, and local laws shall be conducted. Upon issuance of any final decision under this section requiring debarment of a Contractor and/or sub-grantee, the Contractor and/or subgrantee shall be ineligible for award of any contract, agreement or grant from the City of Costa Mesa for a period specified in the decision, not to exceed five (5) years. Upon issuance of any final decision recommending against debarment of the Contractor and/or sub-grantee, the Contractor and/or sub-grantee shall be eligible for compensation as provided by law.

EXHIBIT C

CITY COUNCIL POLICY NO. 800-3

CITY OF COSTA MESA, CALIFORNIA
COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
CULTURAL PROGRAM FUNDING	800-3	5/7/84	1 OF 2

BACKGROUND

Over the past few years, the community has experienced a significant growth in cultural and artistic activities. While the City has been a financial participant in supporting the Costa Mesa Civic Playhouse and South Coast Reperatory Theatre, no specific guidelines have been used in evaluating requests for funding by these organizations. With the increase in new cultural organizations in the community and a resulting demand for financial assistance from the City, it is appropriate that a policy be adopted which sets forth a basic framework for considering such requests.

PURPOSE

It is the purpose of this policy to:

1. Clearly delineate the role of the City of Costa Mesa in supporting cultural and artistic organizations.
2. Set forth minimum standards for considering requests for financial and other support for such organizations.

POLICY

1. Generally, the City will assume the role of a "broker" in providing support to the Arts. This role is consistent with the City's support of private, non-profit organizations to provide services to the community as opposed to providing the service directly itself.
2. The concept "support" to artistic and cultural organizations is broad-based and all-inclusive. This shall include direct financial assistance, advertising, sponsorship of special program, City Staff assistance, allocation of revenues received from Cable Television franchise fees and use of City facilities.
3. In general, the following criteria will be utilized in considering requests for City support of cultural and artistic organizations.
   a. All eligible cultural and artistic groups should be non-profit and tax-exempt under Section 501(CM)(3) of the Internal Revenue Code.

CITY OF COSTA MESA, CALIFORNIA
COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
CULTURAL PROGRAM FUNDING	800-3	5/7/84	2 OF 2

b. Eligibility of cultural institutions may be broad in the early years of funding with more specific categories to be developed (i.e., museums, theatre companies, zoos, scholarships, etc.

c. Beyond the preceding, basic considerations, the City shall also consider the following criteria:

1. Artistic excellence
2. Size of audience
3. Make-up of audience
4. Relevance to Citys concerns
5. Public and critical reaction to the organization
6. Quality of fiscal management
7. Longevity in the City of Costa Mesa
8. Percentage of request to organization's annual budget
9. Community leadership and support

d. City funding support for private organization operational expenses and for special events will be established so as to contribute to a balance of community cultural, recreational, and promotional programs designed to enhance the well being of the community.

e. The functions or services to be provided must be of such a nature that the interests of the City are better served by an agreement with the private organization than by the performance of the service or function by the City.

f. The City will only provide support to a legally constituted non-profit organization completely directing and in complete control of its own affairs through its officers and members.

g. The City will not provide funding support to a private organization for the conduct of any religious or political activity.

h. City funds will be used only to assist an organization in its annual operating program or in its sponsorship of special events. City funding will not be used for capital or equipment outlay for the purchase of awards, trophies, gifts, or uniforms, nor for the buildup of reserves.

i. No expenditure may be made out of any appropriation until a written agreement, setting out the terms and conditions of the parties, has been consummated. This agreement will specify in detail the services or functions to be performed, the nature of the payment or reimbursement schedule and the financial reporting requirements.

PROCEDURE

The City Council shall approve a process for considering requests made pursuant to this Policy. Organizations requesting support from the City shall do so in accordance with the approved process so as to ensure fair and equal treatment for all involved parties.