

FOR THE MEETING OF MARCH 3, 2014

**MEASURE U2012 CITIZENS' OVERSIGHT COMMITTEE
AGENDA REPORT**

TO: Oversight Committee

FROM: City Manager

SUBJECT: PROPOSED MEASURE U2012 ANNUAL REPORT FOR 2012-13

RECOMMENDATION:

That the Oversight Committee (Committee):

1. Review the attached Measure U2012 Annual Report for 2012-13; and
2. Authorize Chair Benedetti to sign it and forward it to the City Council.

BACKGROUND:

On January 27, 2014, the Committee met and reviewed the Measure U2012 audited financial statements as submitted by Moss, Levy & Hartzheim (the City's Auditors) for the period ending June 30, 2013. Pursuant to the Measure U2012 Citizens' Oversight Committee Guidelines, after the Committee has reviewed said financial information, the Committee will present its findings to the City Council in a written report before March 31, 2014.

DISCUSSION:

On January 27, 2014, after reviewing the audited financial statements, the Committee concluded that the Measure U2012 revenues received and expenses made were consistent with the intent as set forth by the City Council. The Committee authorized Chair Benedetti and Vice Chair Mollenkopf to work with staff on drafting an Annual Report, for the Committee's consideration, that can be forwarded to the City Council prior to the March 31st deadline.

On February 21, 2014, Chair Benedetti and Vice Chair Mollenkopf met with staff regarding drafting an Annual Report. Attached to this staff report is the proposed Annual Report for your review and consideration.



RICHARD J. HAYDON
City Manager

Attachment: Proposed Annual Report



Measure U2012 Citizens' Oversight Committee 2012-13 Annual Report

Committee Members

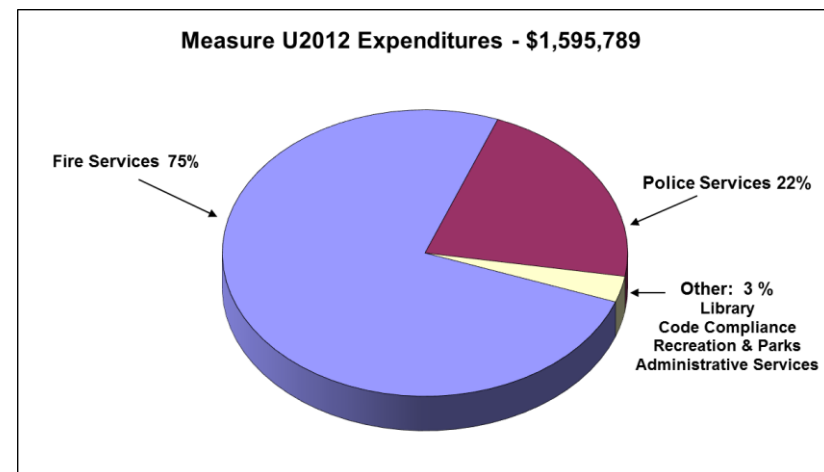
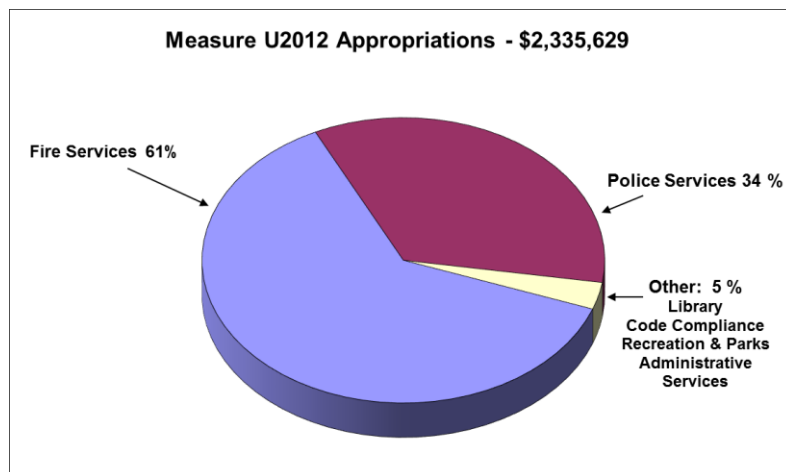
Trent Benedetti, Chair
 Kristine Mollenkopf, Vice Chair
 Jack Owen, Jr.
 John Peters
 Alesia Yglesias

Dear Santa Maria City Council,

The Measure U2012 Citizens' Oversight Committee is pleased to submit this annual report on the revenue received and expenditures made from the Measure U2012 tax proceeds for the fiscal year ending June 30, 2013.

On June 5, 2012, the electors of the City of Santa Maria approved Measure U2012, for an additional one-quarter cent transactions and use tax. As part of the Ordinance establishing this general purpose tax, on September 4, 2012, the City Council adopted a resolution establishing a five (5) member Measure U2012 Citizens' Oversight Committee (Committee), and defined our scope of responsibility. In summary, our Committee is to function as an advisory committee to the City Council, ensuring the oversight of the revenue generated by, and expenses made in relation to Measure U2012 are consistent with Council's intended use.

Accordingly, the Committee has reviewed the annual independent financial audit on the Measure U2012 revenues and associated expenses for fiscal year 2012-13, as performed by Moss, Levy & Hartzheim (the City's Auditors), and is hereby submitting this report to the City Council in compliance with our assigned duty.



Measure U2012 became operational October 1, 2012 and the first tax proceeds were received in late-December 2012. The one quarter-cent transactions and use tax is a nine year tax, and is due to sunset on December 31, 2021.

Because the City started to receive tax proceeds in late-December 2012, staff estimated that the annual revenue for the fiscal year ending June 30, 2013 would be approximately \$2 million. However, because of the accrual-method of accounting, July and August receipts were accrued back to the 2012-13 fiscal year resulting in \$2.6 million in Measure U2012 revenues for the period ending June 30, 2013. To account for this funding (both revenues and expenses), staff set-up a separate fund to track Measure U2012 tax proceeds and account for all Measure U2012-related expenses; with any unspent tax proceeds remaining in the Measure U2012 Fund.

After deliberating on the most appropriate use for Measure U2012 funding, the City Council authorized that the vast majority of tax proceeds be spent on public safety-related services; namely, police and fire. Accordingly, said proceeds were to finance the operational costs associated with Fire Station No. 5, along with a Battalion Chief, and a limited service Emergency Services Coordinator in the Fire Department. Council also approved the use of said proceeds to fund seven Police Officer and five Police Sergeant positions, a Crime Analyst, a Dispatcher and four new police vehicles in the Police Department. The remaining funds were to be used toward hiring a full-time Code Compliance Officer and Senior Park Services Officer; five limited service employees associated with increasing the hours of operation at the Main Library; two limited service employees to aid in graffiti abatement and one to assist in the Police Activity League (PAL) program. Council also authorized the use of Measure U2012 to be used toward purchasing self-contained breathing apparatus' for fire personnel and to account for the one-time start-up cost the State Board of Equalization charged the City for administering the transaction and use tax.

Measure U2012 Audit Review

On January 27, 2014, the Committee convened to review the Measure U2012 audited financial statements. Committee members reviewed the audit report and were able to ask questions of staff regarding Measure U2012-related expenses. After reviewing the relevant financial information and deliberating on the actions taken by staff, the committee determined that the expenses made with Measure U2012 tax proceeds were in compliance with Council's intended purpose for said tax proceeds. Accordingly, 97 percent of the expenses made during 2012-13 were spent on public safety-related services. While not all full-time positions were initially hired as planned, all but the Crime Analyst, Dispatcher, Senior Park Services Officer positions were filled by year-end. In addition, staff had yet to purchase and take possession of the self-contained breathing apparatus or the new police units by year-end. It was explained that the recruitments for these two positions will commence in 2013-14 along with the aforementioned equipment purchases. Because of the previously mentioned vacancies and delay in purchasing equipment, revenues exceeded expenses by \$1,020,446.

Attached are the audited financial statements of the Measure U2012 Fund; page 4 presents the budgeted versus actual revenue and expenditures. The budgeted expenditures comply with City Council's direction. Total tax proceeds received was \$2,615,358; total Measure U2012 expenditures made were \$1,595,789; resulting in a fund balance of \$1,020,446.

Sincerely,

Trent Benedetti, Chair
Measure U2012 Citizens' Oversight Committee

**CITY OF SANTA MARIA
MEASURE U**

**FINANCIAL STATEMENTS
June 30, 2013**

CITY OF SANTA MARIA
MEASURE U
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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

2400 PROFESSIONAL PARKWAY, STE 205
SANTA MARIA, CA 93455
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

INDEPENDENT AUDITORS' REPORT

City Council
City of Santa Maria
Santa Maria, California

We have audited the accompanying financial statements of the Measure U Fund of City of the Santa Maria, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure U Fund of City of Santa Maria as of June 30, 2013, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure U Fund and do not purport to, and do not, present fairly the financial position of the City of Santa Maria as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 13, 2013

CITY OF SANTA MARIA
MEASURE U
BALANCE SHEET
June 30, 2013

ASSETS

Cash and investments	\$ 394,520
Accounts receivable	<u>667,143</u>
Total current assets	<u>\$ 1,061,663</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 21,582
Accrued liabilities	<u>19,635</u>
Total liabilities	<u>41,217</u>

Fund Balance:

Restricted	<u>1,020,446</u>
Total fund balance	<u>1,020,446</u>
Total liabilities and fund balance	<u>\$ 1,061,663</u>

CITY OF SANTA MARIA
MEASURE U
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2013

Revenues

Sales tax	\$ 2,615,358
Use of money and property	<u>877</u>
Total revenues	<u>2,616,235</u>

Expenditures

Legal	5,521
Administrative services	14,215
Library	21,787
Parks and recreation	5,423
Fire	1,201,525
Police	<u>347,318</u>
Total expenditures	<u>1,595,789</u>

Excess (deficiency) of revenues over expenditures 1,020,446

Fund balance at beginning of fiscal year

Fund balance at end of fiscal year \$ 1,020,446

CITY OF SANTA MARIA

MEASURE U

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales tax	\$ 2,074,995	\$ 2,615,358	\$ 540,363
Use of money and property		877	877
Total revenues	<u>2,074,995</u>	<u>2,616,235</u>	<u>541,240</u>
Expenditures			
Legal			
Salaries and wages	17,400	2,681	14,719
Materials and supplies		2,840	(2,840)
Total legal	<u>17,400</u>	<u>5,521</u>	<u>11,879</u>
Administrative services			
Contracts and services	14,220	14,215	5
Total administrative services	<u>14,220</u>	<u>14,215</u>	<u>5</u>
Library			
Salaries and wages	29,100	16,213	12,887
Materials and supplies		5,574	(5,574)
Total library	<u>29,100</u>	<u>21,787</u>	<u>7,313</u>
Parks and recreation			
Salaries and wages	43,140		43,140
Contracts and services	6,060	5,423	637
Total parks and recreation	<u>49,200</u>	<u>5,423</u>	<u>43,777</u>
Fire			
Salaries and wages	1,175,443	1,059,059	116,384
Materials and supplies	24,257	21,127	3,130
Equipment and operations	8,615	22,632	(14,017)
Contracts and services	37,470	13,729	23,741
Capital outlay	181,480	84,978	96,502
Total fire	<u>1,427,265</u>	<u>1,201,525</u>	<u>225,740</u>
Police			
Salaries and wages	544,444	347,318	197,126
Capital outlay	254,000		254,000
Total police	<u>798,444</u>	<u>347,318</u>	<u>451,126</u>
Total expenditures	<u>2,335,629</u>	<u>1,595,789</u>	<u>739,840</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (260,634)</u>	<u>1,020,446</u>	<u>\$ 1,281,080</u>
Fund balance at beginning of fiscal year			
Fund balance at end of fiscal year		<u>\$ 1,020,446</u>	

See notes to financial statements

CITY OF SANTA MARIA
MEASURE U FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In the June 5, 2012 election, City of Santa Maria (City) voters approved Measure U, establishing a temporary quarter-cent transaction sales and use tax. The Measure U Fund (Fund) was established to accumulate revenues transmitted by the State Board of Equalization (BOE), the agency responsible for administering and collecting the transactions and use taxes for the City, and apportion them to essential services outlined within the approved expenditure plan.

The financial statements presented only the activity of the Measure U Fund, and are not intended to present the financial position and changes in financial position of the City of Santa Maria, in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Accounting

The Measure U Fund of the City is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

C. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2013, consist of the following:

Pooled cash and investments with the City of Santa Maria	<u>\$ 394,520</u>
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Please refer to the notes of the City's June 30, 2013 Comprehensive Annual Financial Report regarding cash and investments for additional detail.