

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

TO: Oversight Committee

FROM: City Manager

SUBJECT: PROPOSED MEASURE U2012 ANNUAL REPORT FOR 2016-17

RECOMMENDATION:

That the Oversight Committee (Committee):

1. Review the attached Measure U2012 Annual Report for 2016-17; and
2. Authorize Chair Benedetti to sign it and forward it to the City Council.

BACKGROUND:

On January 22, 2018 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, 2017. 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, 2018.

DISCUSSION:

On January 22, 2018, 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 staff to draft an Annual Report, for the Committee's consideration, that can be forwarded to the City Council prior to the March 31st deadline.

Attached to this staff report is the proposed Annual Report for your review and consideration.



JASON STILWELL
City Manager

Attachment: Proposed Annual Report



**Measure U
Citizens' Oversight Committee
2016-17 Annual Report**

Committee Members

Trent Benedetti, Chair
Jack Owen, Jr., Vice Chair
John Peters
Donna Randolph
John Childers, Jr.

Dear Santa Maria City Council,

The Measure U Citizens' Oversight Committee (Committee) is pleased to submit to the City Council this annual report on the revenue received and expenditures made from the Measure U tax proceeds for the fiscal year ending June 30, 2017.

On January 22, 2018, the Committee reviewed the annual independent financial audit on the Measure U revenues and associated expenses for fiscal year 2016-17, 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. As Council is aware, the one quarter-cent transactions and use tax is a nine year tax, and is due to sunset on December 31, 2021. To account for this funding (both revenues and expenses), staff established a separate fund to track Measure U tax proceeds and account for all Measure U-related expenditures with any unspent tax proceeds remaining in the Measure U Fund. However, it should be noted that the Measure U Fund is a part of the General Fund and a subset thereof.

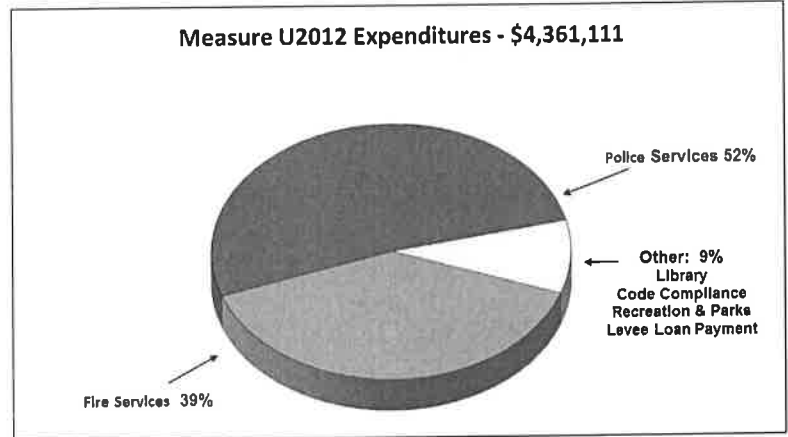
Since Measure U was approved, staff has been working with Hinderliter, de Llamas & Associates, the City's sales tax consultants, to estimate the annual tax proceed revenues. For 2016-17, approximately \$4,408,100 in revenues were estimated, and actual receipts came in at approximately \$4,259,597 (or 97 percent of budget). Expenditures for the fiscal year were \$4,361,111 (or 99 percent of budget).

Regarding expenditures, the City Council authorized that the vast majority of said proceeds be spent on public safety-related services; namely, police and fire. Accordingly, the City began the fiscal year with said proceeds financing the operational costs associated with Fire Station No. 5, along with a Battalion Chief and a part-time 32-hour classification of Emergency Services Specialist in the Fire Department. The City Council also approved the funding of seven Police Officers, five Police Sergeants, one Crime Analyst, and one Dispatcher for the Police Department. In addition, Council also authorized restoring Library hours from 48 to 56 hours per week by hiring five limited service employees and approved an increase in appropriations to fund utility costs directly related to extending the Library hours with Measure U proceeds as well as one Senior Parks Services Officer, one Code Compliance Officer, one limited service employee (to assist in the Police Activities League [PAL] Program), as well as two limited service employees designed to enhance the City's Graffiti Abatement Program. On May 16, 2017, the City Council authorized transfer of fire overtime costs from Measure U to the General Fund to address Measure U expenditures exceeding revenues.

The pie chart on the following page depicts the actual expenditures of Measure U for 2016-17.

Measure U Audit Review

On January 22, 2018, the Committee convened to review the Measure U audited financial statements. Committee members reviewed the audit report and were able to ask questions of staff regarding Measure U-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 U tax proceeds were in compliance with Council's intended purpose for said tax proceeds. Accordingly, 91 percent of the expenses made during 2016-17 were spent on public safety-related services.



Committee Issues/Questions

At the Committee Meeting of January 22, 2018, the Committee inquired about when the City would receive the first funding from Enos Ranch. The Committee expressed concerns about the coming years with the budget and increases to pension costs and if the projected fund balance was still heading toward a negative balance in 2017-18. The Committee also inquired if staff's concerns about the Measure U2012 fund running out of money by March 2018 was still an issue as expressed during last year's Committee meetings.

Staff informed the Committee that with the shifting of Fire Department overtime to the General Fund, the Measure U2012 Fund is projected to have a positive fund balance at the end of 2017-18. In addition, staff explained that the Measure U2012 revenue and expenditure projections will be evaluated during the upcoming 2018-20 budget cycle and, if needed, staff will provide City Council with recommendation of adjustments to Measure U2012 expenditure plan.

Fiscal Results

The Fund began the year with a fund balance of \$419,006 and because expenditures (\$4,361,111) exceeded revenues (\$4,259,597) by \$101,514, the ending fund balance as of June 30, 2017 was reduced to \$317,492. Attached are the audited financial statements of the Measure U Fund, and Page 4 of the Statements which presents the budgeted versus actual revenue and expenditures. Accordingly, the budgeted expenditures comply with City Council's direction.

Sincerely,

Trent Benedetti, Chair
Measure U Citizens' Oversight Committee

**CITY OF SANTA MARIA
MEASURE U**

**FINANCIAL STATEMENTS
June 30, 2017**

CITY OF SANTA MARIA
MEASURE U
TABLE OF CONTENTS
June 30, 2017

Independent Auditors' Report	1
Balance Sheet	2
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.....	4
Notes to Financial Statements	5



Moss, Levy & Hartzheim LLP
Certified Public Accountants

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 the City of Santa Maria, as of and for the fiscal year ended June 30, 2017, 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 the City of Santa Maria as of June 30, 2017, 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, 2017, 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 12, 2017

CITY OF SANTA MARIA
MEASURE U
BALANCE SHEET
June 30, 2017

ASSETS

Cash and investments	\$ -
Accounts receivable	669,900
Prepaid expenditures	<u>1,094</u>
Total current assets	<u>\$ 670,994</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 5,569
Due to the City of Santa Maria	260,005
Accrued liabilities	<u>87,928</u>
Total liabilities	<u>353,502</u>

Fund Balance:

Restricted	<u>317,492</u>
Total fund balance	<u>317,492</u>
Total liabilities and fund balance	<u>\$ 670,994</u>

CITY OF SANTA MARIA
MEASURE U
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017

Revenues	
Sales tax	\$ 4,258,000
Use of money and property	<u>1,597</u>
Total revenues	<u>4,259,597</u>
Expenditures	
Legal	75,836
Administrative Services	108,229
Library	64,926
Recreation and Parks	156,020
Fire	1,698,214
Police	<u>2,257,886</u>
Total expenditures	<u>4,361,111</u>
Excess (deficiency) of revenues over expenditures	(101,514)
Fund balance at beginning of fiscal year	<u>419,006</u>
Fund balance at end of fiscal year	<u><u>\$ 317,492</u></u>

See notes to financial statements

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, 2017

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales tax	\$ 4,407,000	\$ 4,258,000	\$ (149,000)
Use of money and property	1,100	1,597	497
Total revenues	<u>4,408,100</u>	<u>4,259,597</u>	<u>(148,503)</u>
Expenditures			
Legal			
Salaries and wages	76,041	75,836	205
Total legal	<u>76,041</u>	<u>75,836</u>	<u>205</u>
Administrative Services			
Contracts and services	108,730	108,229	501
Total administrative services	<u>108,730</u>	<u>108,229</u>	<u>501</u>
Library			
Salaries and wages	61,963	49,812	12,151
Materials and supplies	18,000	15,114	2,886
Total library	<u>79,963</u>	<u>64,926</u>	<u>15,037</u>
Recreation and Parks			
Salaries and wages	175,427	154,244	21,183
Contracts and services		1,776	(1,776)
Total parks and recreation	<u>175,427</u>	<u>156,020</u>	<u>19,407</u>
Fire			
Salaries and wages	1,708,513	1,619,885	88,628
Materials and supplies	39,130	32,206	6,924
Equipment and operations	5,000	1,684	3,316
Contracts and services	26,210	18,438	7,772
Capital outlay	26,000	26,001	(1)
Total fire	<u>1,804,853</u>	<u>1,698,214</u>	<u>106,639</u>
Police			
Salaries and wages	2,164,834	2,257,886	(93,052)
Capital outlay			
Total police	<u>2,164,834</u>	<u>2,257,886</u>	<u>(93,052)</u>
Total expenditures	<u>4,409,848</u>	<u>4,361,111</u>	<u>48,737</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,748)</u>	<u>(101,514)</u>	<u>\$ (99,766)</u>
Fund balance at beginning of fiscal year		<u>419,006</u>	
Fund balance at end of fiscal year		<u>\$ 317,492</u>	

See notes to financial statements

CITY OF SANTA MARIA
MEASURE U FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, consist of the following:

Pooled cash and investments with the City of Santa Maria	\$ <u> -</u>
---	-----------------------

Please refer to the notes of the City's June 30, 2017 Comprehensive Annual Financial Report regarding cash and investments for additional detail.