

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

**TO:** Measure U Citizens' Oversight Committee

**FROM:** City Manager

**SUBJECT: PROPOSED MEASURE U ANNUAL REPORT FOR 2018-19**

**RECOMMENDATION:**

That the Measure U Citizens' Oversight Committee (Committee):

1. Review the attached Measure U Annual Report for 2018-19; and
2. Authorize the Chair to sign it and forward it to the City Council.

**BACKGROUND:**

On January 27, 2020 and February 24, 2020, the Committee met and reviewed the Measure U audited financial statements as submitted and reissued by Moss, Levy & Hartzheim (the City's Auditors) for the period ending June 30, 2019. Pursuant to the Measure U 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, 2019.

**DISCUSSION:**

On January 27, 2020, after reviewing the audited financial statements, the Committee concluded that the Measure U 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 31<sup>st</sup> deadline. Staff prepared the Annual Report using the Measure U financial statements reissued on February 18, 2020.

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



**JASON STILWELL**  
City Manager

Attachment: Proposed Annual Report

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## **Measure U Citizens' Oversight Committee 2018-19 Annual Report**

### **Committee Members**

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

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 revenues received and expenditures made from the Measure U tax proceeds for the fiscal year ending June 30, 2019.

On January 27, 2020 and February 24, 2020, the Committee reviewed the annual independent financial audit on the Measure U revenues and associated expenses for fiscal year 2018-19, as performed by Moss, Levy & Hartzheim (the City's Auditors). The Committee is hereby submitting this report to the City Council in compliance with its assigned duty. As the City Council is aware, the one quarter-cent transactions and use tax is a nine year tax, due to sunset on December 31, 2021. However, on November 6, 2018, voters approved a three-quarter cent enhancement to Measure U, and removed the sunset date. The new one-cent transactions and use tax will go into effect April 1, 2019. 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 2018-19, approximately \$4,976,300 in revenues were estimated, and actual receipts came in at \$8,450,338 (or 170 percent of budget). Expenditures for the fiscal year were \$5,632,389 (or 95 percent of budget).

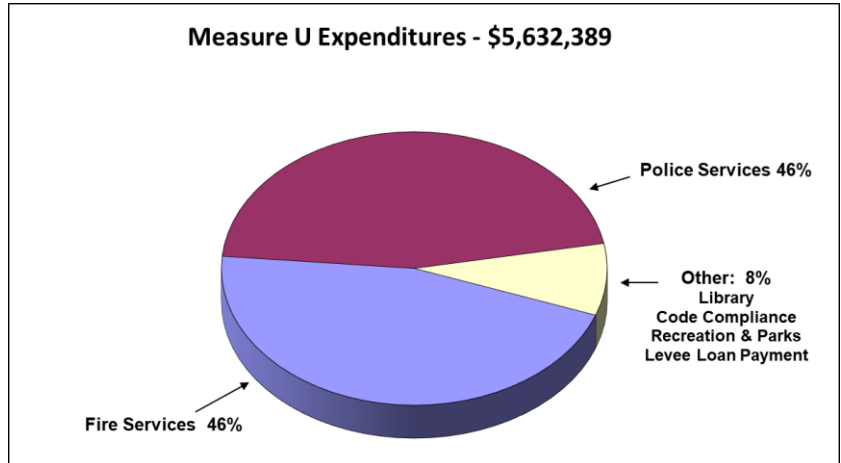
Regarding expenditures, the City Council authorized that the vast majority of said proceeds be spent on public safety-related services; namely, police and fire. Accordingly, the City began the fiscal year with said proceeds financing the operational costs associated with Fire Station No. 5, along with 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. One Senior Parks Services Officer, one Code Compliance Officer, one limited service employee (to assist in the Police Activities League [PAL] Program), and two limited service employees designed to enhance the City's Graffiti Abatement Program were also authorized from the Measure U fund.

After the passage of Measure U2018, the City Council authorized, on December 4, 2018, two budget amendments totaling \$1,123,000 in the Fire Department; \$800,000 to replace the emergency dispatch alerting system at all fire stations and \$323,000 to supplement existing fleet replacement funds to replace three fire engines. Due to the long lead-time needed to build fire engines, funds were not expended before June 30, 2019, and those unused appropriations were carried forward to 2019-20 budget.

The pie chart on the below depicts the actual expenditures of Measure U for 2018-19.

## Measure U Audit Review

On January 27, 2020 and February 24, 2020, 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 the City Council's intended purpose for said tax proceeds. Accordingly, 92 percent of the expenses made during 2018-19 were spent on public safety-related services.



## Committee Issues/Questions/Comments

At the Committee Meeting of January 27, 2020, the Committee expressed gratitude to voters for passing the new Measure U on November 6, 2018, and by doing so, voters have provided the City the ability to maintain essential services and enhance others. Staff informed the Committee that because Measure U funds are from one revenue source, sales tax, and that source is effected by economic downturns, the City Council has set a Reserve Policy of 20 percent and staff has included \$900,000 reserves in the 2019-20 budget. The Committee also asked how reserves will be presented in future financial statements. Staff indicated that Fund Balance will have a separate category to show reserves designated for economic downturns.

The Committee also requested clarification regarding Public Safety positions, Library services included under Youth Services and Quality of Life categories in the Library and Recreation and Parks. Staff provided the Committee with explanation of activities and indicated that without the passage of Measure U, the City would have had to cut a number of positions.

## Fiscal Results

The Measure U Fund began the year with a fund balance of \$316,636, and because expenditures (\$5,632,389) exceeded revenues (\$8,450,338) by \$2,817,949, the ending fund balance as of June 30, 2019, was increased to \$3,134,585. 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, 2018

**CITY OF SANTA MARIA**  
**MEASURE U**  
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## 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, 2018, 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, 2018, 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, 2018, 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  
January 17, 2019

**CITY OF SANTA MARIA**  
**MEASURE U**  
**BALANCE SHEET**  
June 30, 2018

**ASSETS**

Cash and investments	\$	-
Accounts receivable		702,958
Prepaid expenditures		<u>1,037</u>
Total current assets	\$	<u><u>703,995</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$	9,994
Due to the City of Santa Maria		271,590
Accrued liabilities		<u>105,775</u>
Total liabilities		<u>387,359</u>

Fund Balance:

Restricted		<u>316,636</u>
Total fund balance		<u>316,636</u>
Total liabilities and fund balance	\$	<u><u>703,995</u></u>

**CITY OF SANTA MARIA**  
**MEASURE U**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended June 30, 2018

<b>Revenues</b>	
Sales Tax	\$ 4,635,202
	<u>4,635,202</u>
Total revenues	<u>4,635,202</u>
 <b>Expenditures</b>	
Legal	86,332
Finance	108,329
Library	77,692
Recreation and Parks	177,466
Fire	1,778,044
Police	<u>2,408,195</u>
Total expenditures	<u>4,636,058</u>
Excess (deficiency) of revenues over expenditures	(856)
Fund balance at beginning of fiscal year	<u>317,492</u>
Fund balance at end of fiscal year	<u><u>\$ 316,636</u></u>



**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, 2018

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Sales tax	\$ 4,495,000	\$ 4,635,202	\$ 140,202
Use of money and property	1,200		(1,200)
Total revenues	<u>4,496,200</u>	<u>4,635,202</u>	<u>139,002</u>
<b>Expenditures</b>			
Legal			
Salaries and wages	81,410	86,332	(4,922)
Total legal	<u>81,410</u>	<u>86,332</u>	<u>(4,922)</u>
Finance			
Contracts and services	108,730	108,329	401
Total administrative services	<u>108,730</u>	<u>108,329</u>	<u>401</u>
Library			
Salaries and wages	64,503	61,036	3,467
Materials and supplies	18,000	16,656	1,344
Total library	<u>82,503</u>	<u>77,692</u>	<u>4,811</u>
Recreation and Parks			
Salaries and wages	166,211	171,549	(5,338)
Contracts and services	20,000	5,917	14,083
Total recreation and parks	<u>186,211</u>	<u>177,466</u>	<u>8,745</u>
Fire			
Salaries and wages	1,683,145	1,720,650	(37,505)
Materials and supplies	46,930	38,565	8,365
Equipment and operations	5,000	1,320	3,680
Contracts and services	27,710	17,509	10,201
Total fire	<u>1,762,785</u>	<u>1,778,044</u>	<u>(15,259)</u>
Police			
Salaries and wages	2,328,623	2,408,195	(79,572)
Total police	<u>2,328,623</u>	<u>2,408,195</u>	<u>(79,572)</u>
Total expenditures	<u>4,550,262</u>	<u>4,636,058</u>	<u>(85,796)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (54,062)</u>	(856)	<u>\$ 53,206</u>
Fund balance at beginning of fiscal year		<u>317,492</u>	
Fund balance at end of fiscal year		<u>\$ 316,636</u>	

See notes to financial statements

**CITY OF SANTA MARIA**  
**MEASURE U FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**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, 2018, consist of the following:

Pooled cash and investments with the City of Santa Maria	\$ <u>          -</u>
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Please refer to the notes of the City's June 30, 2018 Comprehensive Annual Financial Report regarding cash and investments for additional detail.