

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

TO: Measure U Citizens' Oversight Committee

FROM: City Manager

SUBJECT: PROPOSED MEASURE U ANNUAL REPORT FOR 2019-20

RECOMMENDATION:

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

1. Review the attached Measure U Annual Report for 2019-20; and
2. Authorize the Chair to sign it and forward it to the City Council.

BACKGROUND:

On January 25, 2021, the Committee met and reviewed the Measure U audited financial statements as submitted by Moss, Levy & Hartzheim (the City's Auditors) for the period ending June 30, 2020. 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, 2021.

DISCUSSION:

On January 25, 2021, 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 31st deadline. Staff prepared the Annual Report using the Measure U financial statements issued on January 13, 2021.

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

/s/ Jason Stilwell

JASON STILWELL
City Manager

Attachment: Proposed Annual Report



Measure U Citizens' Oversight Committee 2019-20 Annual Report

Committee Members

Trent Benedetti, Chair
Jack Owen, Jr., Vice Chair
John Childers, Jr.
Abraham Melendrez
Cathie Ortiz

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, 2020.

On January 25, 2021, the Committee reviewed the annual independent financial audit on the Measure U revenues and associated expenses for fiscal year 2019-20, 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 was 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 went 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.

On March 5, 2019, the City Council set goals and objectives regarding the use of Measure U proceeds. The goals are to first maintain services, and second, to make service enhancements. The objectives are to make Santa Maria safer, with more services for youth, and to improve the quality of life. To meet these goals and objectives, the City Council authorized Measure U proceeds, beginning in fiscal year 2019-20, be used 90 percent for public safety, 5 percent for youth services, and 5 percent for quality of life. City Council also indicated a desire to create a Measure U reserve, to help assure these vital services can be sustained during a temporary or cyclical reduction of revenue. The City Council set an eventual goal of a 20 percent reserve of \$3.6 million.

Since Measure U was approved, staff has worked with Hinderliter, de Llamas & Associates, the City's sales tax consultants, to estimate the annual tax proceed revenues. For 2019-20, approximately \$19,329,350 in revenues were estimated, and actual receipts came in at \$19,549,609 (or 101 percent of budget). Expenditures for the fiscal year were \$15,733,584 (or 79.9 percent of budget).

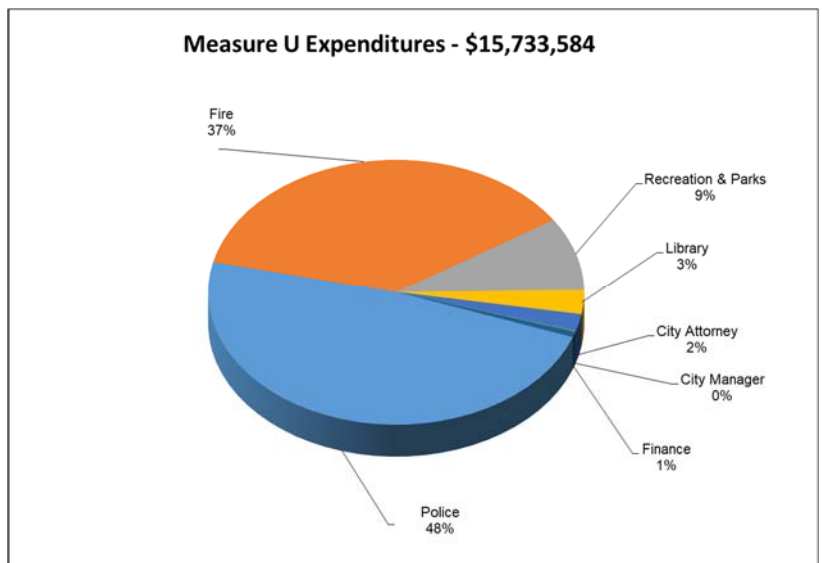
Regarding expenditures, the City Council authorized Measure U 2019-20 revenue to maintain a variety of existing municipal services and programs performed by 33 existing position already supported by Measure 2012, maintain 56 more that do not otherwise have ongoing revenue to support, and use the remaining funds to enhance services through 53 new and upgraded positions. In addition, the City Council approved a \$900,000 contribution, from expected budget savings, toward Measure U reserves.

Two budget adjustments were also processed in 2019-20. First, the Fire Department’s remaining 2018-19 capital appropriations in the amount of \$323,000 were carried over to 2019-20 to allow for payment of three fire engines that were ordered in 2018-19. The City Council authorized on December 4, 2018, that appropriation to supplement existing fleet replacement funds to replace three fire engines. Two of the engines were received in July 2019 and the third engine is expected by the end of 2020-21. The second budget amendment in the amount of \$40,288 was authorized by the City Council on August 18, 2020, to fund central support services costs identified in the 2017-18 Cost Allocation Plan. The General Fund provides central support services, such as administration, payroll, human resources, and information technology to all operating departments and the CAP distributes those costs fairly among each benefitting fund.

Measure U Audit Review

On January 25, 2021, and February 22, 2021, 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 expenditures made with Measure U tax proceeds were in compliance with the City Council’s intended purpose for said tax proceeds. Accordingly, 92 percent of Measure U expenditures have been spent on Public Safety, 4 percent on Youth Services, and 4 percent on Quality of Life. Unfortunately, the stay-at-home orders and restrictions enacted to deal with the COVID-19 pandemic prevented the City from providing planned activities that were budgeted in Youth Services and Quality of Life categories.

Figure 1 - Actual expenditures of Measure U for 2019-20.



Committee Issues/Questions/Comments

At the Committee Meeting of January 25, 2021, several departments whose operations are partially funded by Measure U, shared the positive ways that the funding provides the City the ability to maintain essential services and enhance others, especially during the COVID-19 pandemic. The Committee asked how the City would manage funds that were unspent because of the COVID-19 pandemic and subsequent changes to service. Staff informed the Committee that any unused Measure U funding would be returned to the Fund Balance for future use and the City Council would need to authorize that use.

The Committee asked if any of the previously authorized positions would be filled or frozen going forward. Staff indicated that many of the unfilled positions are Limited Service positions in Recreation and Parks and the Library, two departments that have seen significant change or reduction to its programs as a result of COVID-19. Staff also indicated that most Measure U funded positions have

funding, but it is a best practice for departments to assess the current business need and the long-term outlook before hiring, as a way of mitigating potential layoffs.

The Committee also requested clarification regarding the reopening of community centers and public gathering spaces. Staff informed the Committee that the current health order does not permit the use of community centers; however, once restrictions are lifted, the City will work towards a safe reopening. Staff also shared that the Hagerman Sports Complex had been reopened, and while it was not permitted for organized team sports, it could be used for practices under specific guidelines.

Fiscal Results

The Measure U Fund began the year with a fund balance of \$3,134,585, and because revenues (\$19,549,609) exceeded expenditures (\$15,733,584) by \$3,816,025, the ending fund balance as of June 30, 2020, was increased to \$6,950,610. 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 the City Council's direction.

Sincerely,

Trent Benedetti, Chair
Measure U Citizens' Oversight Committee

**CITY OF SANTA MARIA
MEASURE U**

FINANCIAL STATEMENTS
June 30, 2020

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, 2020, 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, 2020, 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, 2020, the changes in its financial position 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 13, 2021

CITY OF SANTA MARIA
MEASURE U
BALANCE SHEET
June 30, 2020

ASSETS

Cash and investments	\$ 3,874,301
Accounts receivable	3,683,438
Prepaid expenditures	<u>13,728</u>
Total current assets	<u>\$ 7,571,467</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 209,878
Accrued liabilities	<u>410,979</u>
Total liabilities	<u>620,857</u>

Fund Balance:

Restricted	<u>6,950,610</u>
Total fund balance	<u>6,950,610</u>
Total liabilities and fund balance	<u>\$ 7,571,467</u>

See notes to financial statements

CITY OF SANTA MARIA
MEASURE U
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

Revenues	
Sales tax	\$ 19,363,970
Use of money and property	<u>185,639</u>
Total revenues	<u>19,549,609</u>
Expenditures	
Legal	324,817
City Manager	18,338
Finance	106,129
Library	465,695
Recreation and Parks	1,408,734
Fire	5,835,298
Police	<u>7,574,573</u>
Total expenditures	<u>15,733,584</u>
Excess (deficiency) of revenues over expenditures	3,816,025
Fund balance at beginning of fiscal year	<u>3,134,585</u>
Fund balance at end of fiscal year	<u><u>\$ 6,950,610</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, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales tax	\$ 19,256,000	\$ 19,363,970	\$ 107,970
Use of money and property	73,350	185,639	112,289
Total revenues	<u>19,329,350</u>	<u>19,549,609</u>	<u>220,259</u>
Expenditures			
Legal			
Salaries and wages	269,304	253,690	15,614
Materials and supplies	8,700	4,849	3,851
Contracts and services	66,343	38,097	28,246
Capital	31,200	25,277	5,923
Cost allocation transfer out	2,904	2,904	
Total legal	<u>378,451</u>	<u>324,817</u>	<u>53,634</u>
City Manager			
Contracts and services	20,000	18,338	1,662
Total city manager	<u>20,000</u>	<u>18,338</u>	<u>1,662</u>
Finance			
Contracts and services	108,730	106,129	2,601
Total finance	<u>108,730</u>	<u>106,129</u>	<u>2,601</u>
Library			
Salaries and wages	607,333	396,238	211,095
Materials and supplies	30,591	17,671	12,920
Contracts and services	61,791	49,172	12,619
Cost allocation transfer out	2,614	2,614	
Total library	<u>702,329</u>	<u>465,695</u>	<u>236,634</u>
Recreation and Parks			
Salaries and wages	1,689,231	1,233,315	455,916
Materials and supplies	190,203	65,111	125,092
Equipment and operations	50,927	50,397	530
Contracts and services	15,454	20,044	(4,590)
Capital	100,681	33,897	66,784
Cost allocation transfer out	5,970	5,970	
Total recreation and parks	<u>2,052,466</u>	<u>1,408,734</u>	<u>643,732</u>
Fire			
Salaries and wages	5,800,755	4,879,362	921,393
Materials and supplies	55,847	54,881	966
Equipment and operations	223,847	210,769	13,078
Contracts and services	77,812	74,467	3,345
Capital outlay	1,054,690	556,003	498,687
Cost allocation transfer out	59,816	59,816	
Total fire	<u>7,272,767</u>	<u>5,835,298</u>	<u>1,437,469</u>
Police			
Salaries and wages	8,154,073	6,713,584	1,440,489
Materials and supplies	19,608	28,902	(9,294)
Equipment and operations	336,927	331,124	5,803
Contracts and services	69,697	32,527	37,170
Capital outlay	496,575	387,421	109,154
Cost allocation transfer out	81,015	81,015	
Total police	<u>9,157,895</u>	<u>7,574,573</u>	<u>1,583,322</u>
Total expenditures	<u>19,692,638</u>	<u>15,733,584</u>	<u>3,959,054</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (363,288)</u>	3,816,025	<u>\$ 4,179,313</u>
Fund balance at beginning of fiscal year		3,134,585	
Fund balance at end of fiscal year		<u>\$ 6,950,610</u>	

See notes to financial statements

CITY OF SANTA MARIA
MEASURE U FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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.

In the November 2018 election, City voters approved to extend and enhance Measure U at a one-cent rate. The rate became effective April 1, 2019.

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, 2020, consist of the following:

Pooled cash and investments with the City of Santa Maria	<u>\$ 3,874,301</u>
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Please refer to the notes of the City's June 30, 2020 Comprehensive Annual Financial Report regarding cash and investments for additional detail.