



## **CITY OF SAN BERNARDINO – REQUEST FOR COUNCIL ACTION**

### **Staff Report**

#### **Subject:**

Report from the Measure Z Citizen's Oversight Committee on Uses of Measure Z Funds – July 1, 2009 through June 30, 2010.

#### **Background:**

Measure Z was approved by the voters of San Bernardino on November 7, 2006. The measure enacted a .25% district tax for a period of 15 years, beginning April 1, 2007. The voters also approved the advisory Measure YY, which stated that the proceeds of measure Z “be used only to fund more police officers and support personnel, and to fund anti-gang and anti-crime operations, including drug resistance education and supervised after-school youth activities.”

Section 18 of Ordinance MC-1229, which was enacted by the voter approval of Measure Z, required the creation of a Citizen's Advisory Committee; this section states:

**Section 18:** Citizen's Advisory Committee. The Mayor and Common Council shall create a Citizen's Oversight Committee, which shall review the expenditure of proceeds of the taxes imposed by this ordinance and report on those expenditures to the voters of the City at least once a year.

On June 9, 2011, the Measure Z Citizen's Oversight Committee reviewed the attached report dated January 14, 2011 from the City's auditors regarding the use of Measure Z funds for the period of July 1, 2009 to June 30, 2010 and the letter dated May 26, 2011. The Committee also reviewed summary information provided by the Finance Department concerning the use of funds by category, a copy of which is attached

At its meeting of June 9, 2011, the Committee voted unanimously to receive and file the report from the City's auditors and forward it to the City Council. Therefore, it is recommended that the Mayor and Common Council receive and file the report, which will also be made available on the City's website for public review.

#### **Financial Impact:**

None

#### **Recommended Motion:**

That the report from the Measure Z Citizen's Oversight Committee on Uses of Measure Z Funds – July 1, 2008 through June 30, 2009, be received and filed.

Exhibits: Committee Report  
Auditor's Report  
Auditor's Letter

**CITY OF SAN BERNARDINO  
INTEROFFICE MEMORANDUM**

To: Mayor and Common Council and Voters of the City of San Bernardino

From: Measure Z Citizen's Oversight Committee

Subject: Report on the Uses of Measure Z Funds – July 1, 2009 through June 30, 2010

Date: June 15, 2011

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**Background**

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**Analysis of Use of Measure Z Funds**

The Measure Z Citizen's Oversight Committee is directed by the language of Measure Z “to review the expenditure of proceeds of the taxes imposed by this ordinance and report on those expenditures to the voters of the City at least once a year.” The Committee has reviewed and concurred with the opinion of the auditors that the funds have been expended during FY 2009-10 in accordance with the language of Measure Z. The

Committee also confirms that those expenditures were made in accordance with Measure YY.

The Committee notes that during FY 2009-10 the Measure Z funds were expended as follows:

- \$5,665,134 for police department salaries and benefits, supplies and operating expenses, contractual services, internal services-garage charges, capital outlay and debt service
- \$139,592 for parks department salaries and benefits and supplies or operating expenses

During the Committee meeting, City staff provided information on the proposed budget for the use of Measure Z funds for FY 2011-12. Some Committee members expressed some concern that in the proposed budget all of the funds will be appropriated for crime suppression and suggested that the City take steps to ensure that the programs dedicated to crime prevention and intervention, as well as those focused on suppression, are supported by Measure Z funds. The Committee members appreciated the opportunity to review and comment on the proposed budget.

#### **Action and Recommendation**

The Committee unanimously voted to receive and file the Auditor's report and letter, and forward them to the Mayor and Common Council to also receive and file. This report will be made available on the City's website for public review.

Respectfully submitted,

Measure Z Citizen's Oversight Committee



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

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Citizens' Oversight Committee and City Council  
City of San Bernardino, California

**Independent Auditor's Report on the  
Measure Z Public Safety Tax**

We have audited the accompanying schedule of revenues and expenditures of the Measure Z Public Safety Tax of the City of San Bernardino for the year ended June 30, 2010. This financial statement is the responsibility of the City of San Bernardino, California's management. Our responsibility is to express an opinion on this financial statement 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 our audit to obtain reasonable assurance about whether the schedule of revenues and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of revenues and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of revenues and expenditures. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule of revenue and expenditures presents only the revenues and expenditures of the Measure Z Public Safety Tax of the City of San Bernardino.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and expenditures of the Measure Z Public Safety Tax of the City of San Bernardino for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

*Rogers Anderson Malody & Scott, LLP*

January 14, 2011

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CITY OF SAN BERNARDINO  
Measure Z Public Safety Tax (Measure Z)  
Schedule of Revenues and Expenditures  
For the year ended June 30, 2010

Beginning Balance - July 1, 2009	<u>\$ 45,398</u>
Revenues:	
Sales tax (0.25%)	<u>5,157,200</u>
Expenditures:	
Salaries and benefits	5,565,146
Maintenance and operations	74,106
Contractual services	55,766
Internal services	38,000
Capital outlay	14,095
Debt service:	
Principal	54,349
Interest	<u>3,264</u>
Total expenditures	<u>5,804,726</u>
Ending Balance (Deficit) - June 30, 2010	<u><u>\$ (602,128)</u></u>



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The Honorable City Council  
City of San Bernardino  
San Bernardino, California

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**Additional Information Regarding the Audit of the  
Measure Z Public Safety Tax of the City of San Bernardino**

Our audit of the Measure Z Public Safety Tax (Measure Z) of the City of San Bernardino included the procedures identified below, as well as other procedures performed in connection with our audit of the financial statements of the City of San Bernardino (the City) for the year ended June 30, 2010, which resulted in our unqualified opinion that the financial statements of the City were fairly stated in accordance with generally accepted accounting principles. This information regarding our audit of the Measure Z Public Safety Tax has been provided to communicate to the Citizen's Oversight Committee the results of the audit procedures identified below:

1. We analyzed the following documents in order to gain an understanding of the requirements stated in Measure Z:
  - Ordinance No. MC-1229
  - Resolution 2006-286
  - Resolution 2006-287
  - Resolution 2006-288
  - Resolution 2006-289

**Results:** We noted that the City Council placed before the voters of the City of San Bernardino a Public Safety Transactions and Use Tax Ordinance (the Ordinance) relating to the imposition of a one-quarter of one percent (0.25%) transaction and use tax to fund public safety operations. The election on the Measure was held on November 7, 2006, at which time the voters were asked whether or not the City should implement a quarter-cent sales tax for 15 years to improve public safety, fund anti-gang and anti-crime operations, and fund supervised after-school youth activities. The Measure presented to the voters provided that such funds would be utilized with the creation of a citizen's oversight committee and independent financial audits. At the election on November 7, 2006, the voters passed the Ordinance, identified as Measure Z on the ballot.

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2. We obtained and reviewed a summary revenue detail report from the City's general ledger for the Measure Z Public Safety Tax for the fiscal year ended June 30, 2010. We reviewed supporting cash receipts to test whether the City had properly recorded receipts of the voter approved transaction and use tax in the amount of one-quarter of one percent (0.25% sales tax) in the general fund of the City.

Results: We noted no exceptions as a result of our procedures. All receipts of the voter approved transaction and use tax in the amount of one-quarter of one percent (0.25% sales tax) were properly recorded in the general fund of the City for the fiscal year ended June 30, 2010.

3. We obtained and reviewed a summary expenditure detail from the City's general ledger for the Measure Z Public Safety Tax for the fiscal year ended June 30, 2010. We selected individually significant transactions listed in this expenditure detail report and tested whether adequate supporting documentation (vendor/supplier invoices, receipts, etc.) existed and whether the expenditure related to the specific projects stated in the Measure. We also examined supporting documentation to test whether the amounts agreed to the City's general ledger and that no unallowable costs were charged against the Measure Z Public Safety Tax.

Results: We noted no exceptions as a result of our procedures. Adequate supporting documentation existed for selected items and the expenditures related to the specific projects stated in the Measure. In addition, amounts on the supporting documentation agreed to the City's general ledger and no unallowable costs to Measure Z Public Safety Tax were detected by our testing.

4. We obtained and reviewed selected payroll transactions to test whether the allocation of salaries and benefits to Measure Z Public Safety Tax were reasonable. We obtained an understanding from the City of the methodology used to allocate salaries, as well as reviewed documentation supporting these allocations to Measure Z Public Safety Tax. In addition, we inspected selected transactions charged against Measure Z to determine if the salaries allocated were reasonable based upon the duties performed.

Results: We noted no exceptions as a result of our procedures. Salaries and benefits charged against the Measure Z Public Safety Tax appeared reasonable in relation to the activities and duties performed by the related personnel.

This report is intended solely for the information and use of the City Council, management of the City of San Bernardino and the Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties. However, this limitation is not meant to limit the distribution of this report which is a matter of public record.

*Rogers Anderson Maloney & Scott, LLP*

January 14, 2011



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May 26, 2011

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Barbara Pachon, Finance Director  
City of San Bernardino  
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Based on the information we reviewed, although the total number of positions funded by the General Fund may have dropped during the period 2005/06 to 2009/10, the overall General Fund amount expended on the Police Department increased by about \$5.1 million; further, the proportion of General Fund dedicated to this Department increased from 40 to 44 percent during that timeframe. Therefore, in addition to our previous finding that the City is in compliance with the provisions of Measure Z and YY, we find that the City is supplementing and not supplanting public safety expenditures in the General Fund with Measure Z Funds.

Yours truly,

Terry Shea, CPA  
Rogers, Anderson, Malody & Scott, LLP

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