



AGENDA

SPECIAL CITY COUNCIL MEETING

Tuesday, May 6, 2014 – 6:40 p.m.

Hillside Conference Room

CITY COUNCIL MEETING

Tuesday, May 6, 2014 – 7:00 p.m.

City Council Chambers

Meeting Location

El Cerrito City Hall

10890 San Pablo Avenue, El Cerrito

Janet Abelson – Mayor

Mayor Pro Tem Rebecca Benassini
Councilmember Jan Bridges

Councilmember Mark Friedman
Councilmember Greg Lyman

ROLL CALL

6:40 p.m.

SPECIAL CITY COUNCIL MEETING

ORAL COMMUNICATIONS FROM THE PUBLIC (*Comments are limited to three minutes per speaker and to items listed on this special agenda only.*)

COMMISSION INTERVIEWS, STATUS AND APPOINTMENTS

Conduct interviews of candidates for city boards and commissions. Interviews may result in an announcement of appointment at the meeting. The City Council may also discuss and determine the scheduling and structure of future interviews.

ADJOURN SPECIAL CITY COUNCIL MEETING

ROLL CALL

7:00 p.m.

CONVENE CITY COUNCIL MEETING

1. PLEDGE OF ALLEGIANCE TO THE FLAG OR OBSERVATION OF MOMENT OF SILENCE – Mayor Pro Tem Benassini.

2. COUNCIL / STAFF COMMUNICATIONS (*Reports of Closed Session, commission appointments and informational reports on matters of general interest which are announced by the City Council & City Staff.*)

3. ORAL COMMUNICATIONS FROM THE PUBLIC

All persons wishing to speak should sign up with the City Clerk. Remarks are typically limited to 3 minutes per person. The Mayor may reduce the time limit per speaker depending upon the number of speakers. Kindly state your name and city of residence for the record. Comments regarding non-agenda, presentation and consent calendar items will be heard first. Comments related to items appearing on the Public Hearing or Policy Matter portions of the Agenda are taken up at the time the City Council deliberates each action item. Individuals wishing to comment on any closed session scheduled after the regular meeting may do so during this public comment period or after formal announcement of the closed session.

4. PRESENTATION

A. Contra Costa Community College District Facility Needs & Priorities: Information about Measure E – *Presentation by Denise Noldon, President at Contra Costa College and John Marquez, President, Contra Costa Community College District Governing Board.*

Receive a presentation outlining the role of Contra Costa Community College District in the community and information regarding Measure E, an education bond measure on the June 3 ballot.

B. Update from West Contra Costa Unified School District on School Construction Activities – *Presentation by Charles Ramsey, President, Board of Education and Bill Fay, Assistant Superintendent, West Contra Costa Unified School District.*

5. ADOPTION OF THE CONSENT CALENDAR – Item Nos. 5A through 5F

A. Minutes for Approval

Approve the April 22, 2014 Closed Session and Regular City Council meeting minutes.

B. Ordinance Establishing the Measure A Swim Center Parcel Tax Rates for Fiscal Year 2014–15 First Reading April 22, 2014. *Vote: Unanimous*

Adopt Ordinance 2014–02 establishing the Measure A Swim Center Parcel Tax rates for Fiscal Year 2014-15, equal to the approved FY 2013-14 rates of \$38.61 per single-family residential unit, \$29.73 per multi-family residential unit and \$270.66 per acre of non-residential property.

C. Landscape and Lighting Assessment District No. 1988-1 Resolution of Intent to Order Improvements and Set the Date for the Public Hearing as May 20, 2014

Accept the Engineer's Report specifying assessments for the Landscaping and Lighting Assessment District and adopt a Resolution of Intention to Order Improvements pursuant to the Landscape and Lighting Act of 1972, and setting the time, date and place of the public hearing as May 20, 2014 at 7:00 p.m.

D. Bike to Work Proclamation

Approve a proclamation proclaiming May 8, 2014 as Bike to Work Day in the City of El Cerrito, recognizing the value of increased bicycle use and encouraging participation in the 20th Annual Bike to Work Day and other bicycling activities during the month of May.

E. Comprehensive Annual Financial Report and Internal Controls

Receive and file the City's Comprehensive Annual Financial Report (CAFR) and the Memorandum on Internal Control and Required Communications (MOIC) for the fiscal year ending June 30, 2013.

F. Modify Summer City Council Meeting Schedule

Approve a recommendation to adopt a reduced City Council meeting schedule consisting of the third Tuesday in July and August and the fourth Monday in September 2014. Cancelling the first regularly scheduled meeting in July through September is consistent with a reduced meeting schedule approved by the City Council for the past thirteen years. City Council meeting dates in July, August and September would be Tuesday, July 15, Tuesday, August 19 and Monday, September 22 with an additional request to keep the first Tuesday in July and September reserved for special meetings as needed.

6. PUBLIC HEARINGS – None

7. POLICY MATTERS

Capital Improvement Program Study Session

Receive a presentation on the City's current Capital Improvement Program (CIP), discuss potential changes or additions to the CIP, and provide possible direction to staff regarding preparation of next year's CIP as part of the City's Fiscal Year 2014-15 budget process.

8. COUNCIL LOCAL AND REGIONAL LIAISON ASSIGNMENT REPORTS

Mayoral and City Council communications regarding local and regional liaison assignments and committee reports.

9. ADJOURN REGULAR CITY COUNCIL MEETING

The next City Council meeting is Tuesday, May 20, 2014 at 7:00 p.m. at City Hall, 10890 San Pablo Avenue, El Cerrito, California.

The City of El Cerrito serves, leads and supports our diverse community by providing exemplary and innovative services, public places and infrastructure, ensuring public safety and creating an economically and environmentally sustainable future.

- Council Meetings can be heard live on FM Radio, KECG – 88.1 and 97.7 FM and viewed live on Cable TV - KCRT-Channel 28 and AT&T Uverse Channel 99. The meetings are rebroadcast on Channel 28 the following Thursday and Monday at 12 noon, except on holidays. Live and On-Demand Webcast of the Council Meetings can be accessed from the City's website <http://www.el-cerrito.org/ind-ex.aspx?NID=114>. Copies of the agenda bills and other written documentation relating to items of business referred to on the agenda are on file and available for public inspection in the Office of the City Clerk, at the El Cerrito Library and posted on the City's website at www.el-cerrito.org prior to the meeting.
- In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk, (510) 215-4305. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 ADA Title I).
- ***The Deadline for agenda items and communications*** is eight days prior to the next meeting by 12 noon, City Clerk's Office, 10890 San Pablo Avenue, El Cerrito, CA. Tel: 215-4305 Fax: 215-4379, email cmorse@ci.el-cerrito.ca.us
- IF YOU CHALLENGE A DECISION OF THE CITY COUNCIL IN COURT, YOU MAY BE LIMITED TO RAISING ONLY THOSE ISSUES YOU OR SOMEONE ELSE RAISED AT THE COUNCIL MEETING. ACTIONS CHALLENGING CITY COUNCIL DECISIONS SHALL BE SUBJECT TO THE TIME LIMITATIONS CONTAINED IN CODE OF CIVIL PROCEDURE SECTION 1094.6.
- The City Council believes that late night meetings deter public participation, can affect the Council's decision-making ability, and can be a burden to staff. City Council Meetings shall be adjourned by 10:30 p.m., unless extended to a specific time determined by a majority of the Council.



Special City Council Meeting
6:40 p.m.

Date: May 6, 2014
To: Honorable Mayor and Members of the City Council
From: Cheryl Morse, City Clerk *CSM*
Subject: Commission Interviews

MAY 6 INTERVIEW SCHEDULE

Candidates listed below are scheduled for an interview this evening:

6:40 p.m.	George Gager	[EDC 1 st , ACC 2 nd]
6:55 p.m.	Deliberation	

BACKGROUND

ARTS & CULTURE COMMISSION (ACC) [One Vacancy]

The Arts and Culture Commission has one vacancy for a term ending on March 1, 2015. Mr. Gager (EDC 1st, ACC 2nd) is scheduled for an interview tonight and has listed the Arts and Culture Commission as his second choice.

OTHER VACANCIES:

CIVIL SERVICE COMMISSION	- One vacancy
HUMAN RELATIONS COMMISSION	- One vacancy

Staff made multiple attempts to contact Rochelle Purdue, an applicant for the Human Relations Commission, but was unable to reach her by phone or email.

Attachments:

1. Candidate Application
2. Arts Commission Enabling Legislation
3. Interview questions for consideration



May 6, 2014
Special City Council Meeting

Commission Interview

Attachments:

1. Candidate Application
2. Arts Commission Enabling Legislation
3. Interview questions for consideration

Hardcopies are available for review at:

Office of the City Clerk
10890 San Pablo Avenue
El Cerrito, CA
(510) 215-4305

and

The El Cerrito Library
6510 Stockton Avenue
El Cerrito, CA



Contra Costa Community College District

Facility Needs & Priorities Information About Measure E

Contra Costa Community College District

Celebrating 65 years of serving the community.

One of the 10 largest of the 72 community college districts in California, serving over 55,000 students annually.

Includes Contra Costa College, Diablo Valley College, Los Medanos College, San Ramon Campus and Brentwood Center.



Role of Our Colleges

Our community colleges are an essential safety net – providing education for local students, many who cannot afford four-year colleges and universities.

Additional resources are needed to help make sure our students can continue and successfully complete their educational goals.



Job Training



Our community college students move on to become part of the local workforce.

We need to provide advanced medical career training facilities at our colleges in order to help students prepare for some of the fastest growing careers in the country.

We need to keep pace with trends that assist us to maintain high quality career training programs in sciences, technology, and public safety.

College Transfer

The cost of attending public universities in California has risen to as much as six times that of attending a community college.

More and more students are relying on local community colleges to earn college credits, certifications, and job skills at a reasonable price (\$46 per unit).

Support is needed to improve facilities to ensure that students are prepared to transfer to 4-year universities.



Community Support

2002 Measure A Bond-\$120 million

Maximum tax rate of \$4.72/\$100,000 assessed value

2006 Measure A+ Bond-\$286.5 million

Maximum tax rate of \$9.00/\$100,000 assessed value

Contra Costa Community College District has twice issued “refunding bonds” or refinanced bonds saving taxpayers \$14.5 million over the life of the bonds

2002 and 2006 Accomplishments

Transforming our campuses:

Contra Costa College - Library remodel, new Student Services Center, new College Center

Diablo Valley College - new Bookstore, new Student Services Center, new Culinary/Cafeteria and quad, San Ramon Campus

Los Medanos College - new Science building, new Mathematics building, remodel the Core Center building



Ongoing Challenge: Deteriorating Facilities

Many of the most important core academic classes in our colleges are currently being held in deteriorating facilities with outdated equipment.

Additional funds are needed to repair and upgrade classrooms and update learning technology which currently are housed in the original buildings that were built over 50 years ago when the campuses first opened.

Ongoing Effect of State Budget Crisis & Funding Cuts

Our community colleges continue to be impacted by the effect of historic state funding cuts – state funding for repairs has been reduced significantly.

Proposition 30 provides important funding for educational programs, but not for necessary repairs and upgrades.

Measure E



On February 26, 2014, the Contra Costa College District Governing Board unanimously approved placing a bond measure, now called Measure E, on the June 3, 2014, ballot.

Measure E is a local education bond measure requiring over 55 percent voter support.

A recently commissioned independent survey shows as much as 70% of respondents would potentially support a local bond measure in June 2014.

Ballot Language

To upgrade educational facilities at Diablo Valley, Contra Costa, and Los Medanos Colleges, and the San Ramon and Brentwood centers, and help prepare students for jobs and college transfer by modernizing classrooms and labs, building facilities for health, medical, science and technology training, and implementing earthquake safety, accessibility, and infrastructure improvements, shall the Contra Costa Community College District issue \$450 million of bonds at legal interest rates with independent oversight, audits, and all funds spent on local District sites?

How would additional funds help?

- ✓ Make buildings, classrooms, and grounds more accessible to people with disabilities;
- ✓ Improve academic facilities to help students prepare for 21st century jobs and transfer to 4-year universities;
- ✓ Provide facilities and resources for science, technology, and medical career/health services training programs, including nursing, dental technology, and health administration; and
- ✓ Install and maintain technology for modern hands-on career training.

How can we be sure that funds will be spent as promised?

All of the funds are required by law to be spent here in Contra Costa County to improve facilities at each site including Diablo Valley College, Contra Costa College, Los Medanos College, San Ramon Campus, and Brentwood Center.

If approved by the voters, the funding measure will include strict accountability requirements including a public expenditure plan, independent annual audits, and an Independent Citizens' Oversight Committee to ensure funds are spent as promised and managed in an efficient, fiscally prudent manner on priority repair and improvement projects.

How can we be sure that funds will be spent as promised? (Cont.)

Fiscal accountability requirements would include the following provisions.

- ✓ By law, all bond expenditures must be monitored by an Independent Citizens' Oversight Committee to ensure that funds are spent only on voter authorized projects.
- ✓ By law, the Citizens' Oversight Committee must include, among others, representation of a bona fide Taxpayers' Association, a Business Organization, and a Senior Citizens' Organization.
- ✓ By law, no funds can go toward administrator salaries or pensions.

Contra Costa College



■ Major Projects:

- Construction of a new science and allied health center, or modernization of current spaces housing the science and allied health education programs.
- Modernization or construction of a campus operations building.
- Modernization of the gym annex, gymnasium, locker rooms and other physical education facilities.

Diablo Valley College and San Ramon Campus



- Construct a new science and learning center complex.
- Modernize the engineering technology building.
- Modernize or construct a new art building.
- Modernize the physical education complex.
- Expand the San Ramon Campus, including, but not limited to: expanded parking; expanded space for library services; and improvements to classrooms and labs for transfer and career technical programs.

Los Medanos College and Brentwood Center

- Construct a new student activities building.
- Construct new Brentwood Center.
- Modernize the college complex building.
- Modernize the physical education, gym, and aquatics facilities.

New Brentwood Center Site
Highway 4 and Marsh Creek Road



How can I get more information?

The District is available to provide more details and make presentations about Measure E on the June 3, 2014, ballot.

For more information, visit www.4cd.edu. If you have any specific questions feel free to contact Tim Leong by phone at (925)-229-6823 or email info@4cd.edu.

Questions?



EL CERRITO CITY COUNCIL

MINUTES

SPECIAL CITY COUNCIL MEETING
Tuesday, April 22, 2014 – 6:00 p.m.
Hillside Conference Room

CITY COUNCIL MEETING
Tuesday, April 22, 2014 – 7:00 p.m.
City Council Chambers

Meeting Location
El Cerrito City Hall
10890 San Pablo Avenue, El Cerrito

Janet Abelson – Mayor

Mayor Pro Tem Rebecca Benassini
Councilmember Jan Bridges

Councilmember Mark Friedman
Councilmember Greg Lyman

ROLL CALL

Councilmembers Benassini, Bridges, Friedman, Lyman and Mayor Abelson all present.

6:00 p.m.

SPECIAL CITY COUNCIL MEETING – CLOSED SESSION

Mayor Abelson convened the Special City Council meeting – Closed Session at 6:03 p.m.

ANNOUNCEMENT OF CLOSED SESSION

CONFERENCE WITH LABOR NEGOTIATORS (*Pursuant to Government Code Section 54957.6*)

Agency Designated Representatives: Scott Hanin, City Manager, Glenn Berkheimer, Labor Negotiator, Sky Woodruff, City Attorney and Sukari Beshears, Human Resources Manager.

Employee Organizations: Service Employees International Union Local 1021

International Association of Fire Fighters Local 1230

El Cerrito Police Employees Association

El Cerrito Public Safety Management

Unrepresented Employees

ORAL COMMUNICATIONS FROM THE PUBLIC – No speakers.

RECESSED INTO CLOSED SESSION at 6:04 p.m.

ADJOURNED SPECIAL CITY COUNCIL MEETING – CLOSED SESSION at 6:23 p.m.

ROLL CALL

Councilmembers Benassini, Bridges, Friedman, Lyman and Mayor Abelson all present.

7:00 p.m.

CONVENE CITY COUNCIL MEETING

Mayor Abelson convened the City Council meeting at 7:00 p.m.

1. PLEDGE OF ALLEGIANCE TO THE FLAG OR OBSERVATION OF MOMENT OF SILENCE was led by Mayor Pro Tem Benassini.

2. COUNCIL / STAFF COMMUNICATIONS

Mayor Abelson stated that the City Council had just met in Closed Session regarding labor negotiations and gave direction to staff. No decisions were reached.

Councilmember Bridges reported that she attended the Environmental Quality Committee's (EQC) showing of the film "Chasing Ice" at the Cerrito Theater on April 17. The film was very well attended. The EQC is hosting a number of events during Earth Month. On May 1, there will be a Drought Resilient Home presentation at 6:30 p.m. in City Hall. The presentation will include a discussion of Laundry to Garden Greywater beginning at 7:30 p.m. Councilmember Bridges invited all to attend.

Councilmember Lyman reminded all of May 6, 2014 special mail ballot election regarding Doctors Hospital and the need to mail the ballot in order for the vote to be recorded. Councilmember Lyman stated that if Doctors Hospital were to close there would be a dire shortage of emergency beds in West County.

Mayor Abelson reported that she attended a groundbreaking for the Ohlone Gardens affordable housing project this afternoon. The project, located behind the Marshalls Department Store, will consist of 57 units and is scheduled for completion next year. Mayor Abelson reminded everyone that Earth Day is celebrated in El Cerrito this Saturday, April 26. The day will include many work parties throughout the City. Those that do not currently have an assignment and would like participate can come to the Community Center at 9:00 a.m. Mayor Abelson also thanked all the volunteers.

Cheryl Morse, City Clerk, announced that the City recently upgraded the Council meeting webcast encoder so that members of the public and staff who would like to watch live meetings and meetings on demand on iPads and other mobile devices can now do so.

3. ORAL COMMUNICATIONS FROM THE PUBLIC

Al Miller, El Cerrito, expressed his support for Consent Calendar Item 5H, a proclamation encouraging solemn remembrance of the Armenian Genocide on April 24, 2014 and urged the City Council to approve it.

Peter Vranich, Chair, Financial Advisory Board (FAB), informed the City Council of the FAB's recommendation to strengthen the liquidity position of the City by adding a requirement to the Comprehensive Financial Policy that will require the City to have as a goal to maintain a minimum cash balance equal to fifteen days of authorized operating expenses in order to meet anticipated obligations without reliance on borrowed funds. After looking at other cities, the FAB determined that actively managing liquidity is a best practice. This policy requirement is stated as a goal, consistent with other policy requirements that are stated as goals such as maintaining a general fund operating reserve of fifteen percent with a minimum of ten percent. Although the goal is not always met, particularly during difficult economic times, it remains a sound operating principle. Another goal is to achieve AAA rating by the major rating agencies. This year the City was downgraded one notch to A+ by S&P. FAB suspects volatility in the City's cash position may factor into the rating. Managing liquidity supports the goal of maintaining the City's credit rating. In past years, an independent audit has commented on the City's periodic deficit spending. In this year's Comprehensive Annual Financial Report (CAFR) the Auditor noted that as of June 30, 2013, the City's unrestricted cash balance represented only five days

of general fund expenditures. Continued deficit spending reduces the likelihood that the City will be able to continue as a going concern. FAB believes the liquidity requirement is the right way to begin addressing these concerns. FAB understands the immediate challenges of meeting this liquidity goal but would like to reaffirm its position on this policy matter and urges the Council to direct staff to implement a plan to achieve this goal.

Tom Panas, El Cerrito, announced the opening of the El Cerrito Seed Library. The free Library is located in the lobby of the Recycling Center. The official opening of the Seed Library will be during the Earth Day lunch at the Community Center and will then move to its permanent location at the Recycling Center. Mr. Panas thanked the El Cerrito Community Garden Network, Robin Mitchell, Garth Schultz and some seed companies and also noted the vision and far sightedness of the City's elected officials and staff for supporting sustainability.

Robin Mitchell, El Cerrito, thanked the City and Mr. Schultz for being so welcoming and also recognized Mr. Panas for his idea to create a seed library. Ms. Mitchell also stated that local schools will also be notified about the seed library and will benefit from it.

Bobbi Griggs, El Cerrito, noted the diversity of students attending the West Contra County Unified School District and thanked the City Council for acknowledging the Armenian Genocide Remembrance Day.

4. PRESENTATION

A. 2014 Solar Champion Award Presentation – Presentation by Environment California Research and Policy Center.

Receive a presentation and an award from Environment California Research and Policy Center, a non-profit statewide environmental group. El Cerrito has been designated as one of seven California cities that are pushing the envelope on promoting solar energy through permitting, incentive programs, public education, technical assistance and more. Environment California was most impressed by the City's efforts to reduce solar permitting fees, install solar panels on municipal buildings and offer advice and assistance to homeowners and businesses interested in going solar.

Action: Received presentation. Award presented by Mac Farrell, Environment California Research and Policy Center.

B. Water Shortage Update – Presentation by Andy Katz, Director, East Bay Municipal Utility District (EBMUD).

Action: Received presentation. EBMUD customers can explore conservation measures and other helpful information on the EBMUD website, www.ebmud.com or by contacting EBMUD customer service at Katz 866-40EBMUD or emailing Director Katz at akatz@ebmud.com.

C. Citizens' Street Oversight Committee Annual Report to the City Council and Residents of El Cerrito

Receive a presentation regarding the Citizens' Street Oversight Committee's review of expenditures of revenue collected pursuant to El Cerrito Municipal Code Chapter 4.60 to determine whether such funds were expended for the purposes specified in the current Street Repair and Maintenance Expenditure Plan.

Action: Received presentation from Thomas Miller, Chair, Citizens' Street Oversight Committee. The Committee, by a three to two vote, found that expenditures were an appropriate use of the Pothole and Local Street Improvement and Maintenance Transactions and Use Tax.

Thomas Miller, El Cerrito, also spoke as a member of the public and stated that the Street Measure A is badly flawed when viewed from the perspective of the voters and also

expressed concerns with the expenditure of \$100,000 for non-pavement items such as traffic and safety improvements and streetscapes and queried whether transparency prevails in government.

Lynne Kessler, Citizens Street Oversight Committee Member, stated that she voted no along with Mr. Miller to voice her objection to the transfer of funds from the way the ballot questions was written. Ms. Kessler also stated that she appreciates the work of the City Council and said that El Cerrito is a good city.

5. ADOPTION OF THE CONSENT CALENDAR – Item Nos. 5A through 5H

Moved, seconded (Friedman/Lyman) and carried unanimously to adopt Consent Calendar Item Nos. 5A through 5G in one motion as indicated below. Mayor Pro Tem Benassini read the title of the proposed Swim Center Measure A Ordinance into the record. Item No. 5H was removed from the Consent Calendar at the request of Mayor Abelson for the purpose of presenting the proclamation to Bobby Griggs and voted on separately as indicated below.

A. Minutes for Approval

Approve the April 1, 2014 Regular City Council meeting minutes.

Action: Approved minutes.

B. Ordinance Establishing the Measure A Swim Center Parcel Tax Rates for Fiscal Year 2014–15

Introduce by title, waive any further reading, and approve an ordinance establishing the Measure A Swim Center Parcel Tax rates for Fiscal Year 2014-15, equal to the approved FY 2013-14 rates of \$38.61 per single-family residential unit, \$29.73 per multi-family residential unit and \$270.66 per acre of non-residential property.

Action: Approved Ordinance No. 2014–02. *Second reading scheduled for the City Council’s consideration on May 6, 2014.*

C. Earth Day Proclamation

Approve a proclamation proclaiming April 26, 2014 as Earth Day in the City of El Cerrito and encouraging all residents and businesses to help make El Cerrito a greener, healthier, more sustainable place for all.

Action: Approved proclamation.

D. East Bay Affordable Housing Week Proclamation

Approve a proclamation declaring May 9 – 18, 2014 as the 18th Annual Affordable Housing Week in the City of El Cerrito and will work collaboratively to help secure sustainable funding and support for affordable housing at the local, regional and state level and encouraging residents of El Cerrito to participate in Affordable Housing Week activities to raise awareness about the importance of affordable housing for families and communities.

Action: Approved proclamation.

E. Sexual Assault Awareness Month Proclamation

Approve a proclamation declaring April 2014 as “Sexual Assault Awareness Month” in the City of El Cerrito along with the United States Government and the State of California and joining anti-sexual violence advocates and support service programs in the belief that all community members must be part of the solution to end sexual violence.

Action: Approved proclamation.

F. Quarterly Investment Report for Period Ending March 31, 2014

Receive and file the City’s Quarterly Investment Report for the period ending March 31, 2014.

Action: Received and filed.

G. Reschedule the June 3, 2014 City Council meeting to June 2, 2014

Reschedule the June 3, 2014 City Council meeting to Monday, June 2, 2014. June 3, 2014 is the Statewide Direct Primary Election. Holding the City Council meeting on June 3 may pose a conflict with the public's ability to participate in the meeting and also vote in the election as polls remain open until 8:00 p.m. The Contra Costa County Elections Department has also requested that City Hall be used as a polling place on this date.

Action: Approved recommendation to reschedule the June 3, 2014 City Council meeting to June 2, 2014.

H. Armenian Genocide Remembrance Day Proclamation

Approve a proclamation declaring April 24, 2014 as the "Day of Remembrance of the Armenian Genocide" in the City of El Cerrito and encouraging all residents to participate in the remembrance and mourning of the loss of innocent lives.

Action: Removed from the Consent Calendar at the request of Mayor Abelson. Moved, seconded (Lyman/Benassini) and carried unanimously to approve the proclamation. Presented to Bobbi Griggs, WCCUSD/El Cerrito.

6. PUBLIC HEARINGS

A. Disposition Development and Loan Agreement with Eden Housing, Inc. for City Housing Property located at 10848 and 10860 San Pablo Avenue

Conduct a public hearing and upon conclusion adopt a resolution approving a Disposition Development and Loan Agreement (DDLA) with Eden Housing Inc. for disposition of City-owned property for an affordable housing project located at 10848-10860 San Pablo Avenue, making findings and approvals as required by California Community Redevelopment Law (CRL) and authorizing the City Manager to execute the DDLA and all ancillary documents and to file a Notice of Determination in accordance with CEQA.

Presenter: Hilde Myall, Senior Housing Project Manager.

Mayor Abelson opened the public hearing. Two speakers.

Tom Panas, El Cerrito, stated that he enthusiastically supports the project and noted that the project helps the City meet its goals for density and affordable housing. The project is located in a transit-rich corridor, will have a medical clinic and a world-class historic interpretation. Mr. Panas thanked staff, Eden Housing and its architects, the Planning Commission, Design Review Board and the Japanese American Citizens League.

Linda Mandolini, President, Eden Housing, thanked the City Council, Senior Housing Project Manager, Hilde Myall, Tom Panas and the community for all of their support for affordable housing and this project. Ms. Mandolini said Eden Housing is happy to be moving forward on this project.

Moved, seconded (Benassini/Lyman) and carried unanimously to close the public hearing.

Action: Moved, seconded (Lyman/Friedman) and carried unanimously to adopt Resolution No. 2014-10.

B. Fiscal Year 2014-15 Master Fee and Development Fee Schedule

Conduct a public hearing and upon conclusion adopt a resolution approving the Fiscal Year 2014-15 Master Fee Schedule.

Presenter: Lori Treviño, Senior Financial Analyst.

Mayor Abelson opened the public hearing. No speakers.

Moved, seconded (Benassini/Lyman) and carried unanimously to close the public hearing.

Action: Moved, seconded (Friedman/Bridges) and carried unanimously to approve the Master Fee Schedule and adopt Resolution No. 2014-11.

7. POLICY MATTERS

Budget Study Session

Receive a presentation, discuss budget priorities and objectives and provide direction to staff regarding preparation of the City's Fiscal Year 2014-15 budget.

Presenter: Scott Hanin, City Manager, Lisa Malek-Zadeh, Finance Director and Karen Pinkos, Assistant City Manager.

Councilmembers expressed their appreciation for the service and dedication of city staff and acknowledged the difficulty in considering the various balancing measures and potential sacrifices that employees will have to bear.

Councilmember Bridges stated that she favored considering closing City Hall on Fridays and furlough days rather than layoffs and also asked staff to report back on what the potential savings would be and how this would affect services. Councilmember Bridges also stated that the Council also needs to look at employee contributions to health insurance and pension as balancing options.

Councilmember Bridges acknowledged a \$4-5 million decrease to the budget from the loss of redevelopment and property tax since she last served on the City Council 2004-2008. Councilmember Bridges asked staff to prepare scenarios associated with renewing Measure R at its current status and also with a slight increase. She also asked for scenarios using furlough days and/or closures and is also okay with funding reserves at 6% next year with 1-2% increases over the next five years to achieve a 10% reserve.

Councilmember Lyman asked for more information relating to potential savings associated with furlough days. Councilmember Lyman also stated that the City needs to stop relying on one-time special funds for operations and work with employees to increase contributions to potentially healthcare and the retirement fund. Councilmember Lyman stated that he would like the City to do its best to continue with public safety services that are currently being provided without relying on overtime, supports increasing reserves to 6% next year and 7% the following year and move toward a \$1.1 million in cash reserves and would also like to see multiple scenarios identified by Councilmember Bridges and also for what services or projects a Measure R renewal could provide the City. The scenarios should also incorporate future CalPERS increases. The scenarios should also address some of the risk involved with losing the City's pending redevelopment lawsuit and a change in the interpretation of how Home Depot taxes are split. Scenarios should inform the Council about what the City's potential exposures are. Councilmember Lyman stated that he also supports a two year budget.

Councilmember Friedman expressed appreciation for FAB's comments this evening and asked for clarification regarding costs associated with the short term borrowing the City has done. Councilmember Friedman noted that at one time Alameda had taken several paid holidays and turned them into floating holidays to save money on holiday pay. Councilmember Friedman stressed the importance of continued transparency, openness and communication. Councilmember Friedman agrees with implementation of a two year budget and also expressed the need to take a prudent course toward building reserves although this will be painful because any increase in reserves will result in cuts to services or wages and benefits for employees through furloughs and increased pension and/or healthcare contributions which are hard trade-offs to make.

Mayor Pro Tem Benassini asked whether potential balancing measures include the expected CalPERS increase in FY 2016 and police overtime and also asked for clarification regarding fees for new development projects.

Mayor Pro Tem Benassini stated that she is highly supportive of a two year budget and asked for background and more detail for all balancing measures and scenarios that staff has

proposed to address the structural deficit and increase reserves, including new development fees, Measure R, all expected cost increases and scenarios related to employee negotiations. Mayor Pro Tem Benassini is looking forward to reviewing additional data not only for next year but also for how the City can achieve greater than a 6% reserve next year and 10% reserve within the next five years. When looking at the budget, it is important to differentiate between acute versus chronic problems. In considering structural changes, staff also needs to consider ways to motivate employees and keep employee morale up while delivering services that employees are proud of and also meet resident expectations.

Mayor Abelson stated that she agrees with the statements and sentiments of other Councilmembers. This is the most difficult time the City has faced the entire time Mayor Abelson has been on the City Council. Mayor Abelson noted that city services are prioritized and are in alignment with what residents want and asked for clarification regarding potential furloughs and closures and asked staff to prepare multiple scenarios for furloughs, hours and closures for the Council's consideration. Mayor Abelson also noted the need to be creative and flexible with positions and vacancies and asked that everyone work together and recognize that it is not that the City Council wants to implement balancing measures but that the Council has to do it to develop a balanced budget.

Action: Moved, seconded (Lyman/Benassini) and carried unanimously to direct staff to return to the City Council with information requested by individual councilmembers this evening.

8. COUNCIL LOCAL AND REGIONAL LIAISON ASSIGNMENT REPORTS

Mayoral and City Council communications regarding local and regional liaison assignments and committee reports.

Councilmember Bridges reported that the Human Relations Commission met on April 2 and reviewed is Martin Luther King, Jr. Day event budget and worked on proclamations that it will bring forward to Council. Councilmember Bridges also reported on her attendance at the Environmental Quality Committee meeting. The EQC elected Mark Miner as chair and Howdy Goudey as vice-chair. Ten members of the EQC attended the Earth Hour Walk sponsored by the Committee. The "Chasing Ice" movie was a sell-out event. Councilmember Bridges also reminded all about the free presentation on the Drought Resilient Home and grey water on May 1 from 6:30 to 8:30 p.m. in City Hall.

Mayor Pro Tem Benassini reported on her attendance at the April Contra Costa Mayors Conference in which the mayors received a presentation from Randy Iwasaki, Executive Director of the Contra Costa Transportation Authority (CCTA). Mr. Iwasaki spoke about innovations in transportation and nuts and bolts projects including the Integrated Core Mobility project, the I-80 corridor, the hypertrain, drone packaging from Amazon and smart cars that drive people and talk to one another. Mr. Iwasaki also stated that CCTA is considering placing the Measure J sales tax on the 2016 ballot which would potentially extend and increase the tax. The mayors also received a presentation from Senator DeSaulnier who reported that he had introduced a library bond in the state senate and a presentation from a representative from the Contra Costa Community College District regarding the June 3, 2014 Ballot Measure E for Contra Costa College and facilities improvements.

Mayor Pro Tem Benassini also reported on her attendance at the Association of Bay Area Governments (ABAG) General Assembly in which she heard lots of inspiring stories and information. Ideas of particular interest to Mayor Pro Tem Benassini included open government websites in which the public can view and manipulate data; a discussion about Economic Development being less about attracting business and development but more about cultivating people in the city and making sure residents have great opportunities and can network and connect with one another to obtain the highest salary and most fulfilling careers possible. There was also a presentation from SF Made, a non-profit group dedicated to supporting small manufacturers in San Francisco such as small garment factories and small artisanal food manufacturers. SF Made also works with High Schools to help students

connect with manufacturing jobs that they might not otherwise be aware of. Two ideas for beautifying cities included painting utility boxes and placing tile on garbage cans to make them resistant to graffiti.

Councilmember Lyman reported that the Design Review Board (DRB) met on April 2 and selected Maggie Leighly as chair and Christophe Laverne as vice-chair. The DRB discussed design of the Creekside project. Councilmember Lyman also attended the ABAG General Assembly which included an extended discussion about housing. The CEO of Trulia stated that there is a structural housing problem in the Bay Area. Housing development has been suppressed for so long that housing is now unaffordable due to a short supply. During an afternoon session on affordable housing, Councilmember Lyman heard differing opinions on how to increase the affordable housing supply. The City needs to do whatever it can to make projects competitive.

Mayor Abelson stated that she was not at the Contra Costa Mayors Conference because she was attending the California League of California Cities League Policy Committee meetings in Southern California. Committee members received a presentation regarding massage parlors. There is concern that the current law governing operation of massage parlors is not working well because there are a lot of cities that are getting increasing numbers of illicit massage parlors that engage in human trafficking and prostitution. Mayor Abelson also attended a hearing about massage parlors in Sacramento. The California Police Chiefs Association hopes to make a change in the law that will make a difference.

9. ADJOURNED REGULAR CITY COUNCIL MEETING at 10:14 p.m.

SUPPLEMENTAL COMMUNICATIONS

Item No. 4(C) Citizens' Street Oversight Committee Annual Report to the City Council and Residents of El Cerrito

1. Comments regarding expenditure of Streets Measure A funds – *Submitted by Thomas Miller, El Cerrito.*

Item No. 6(A) Disposition Development and Loan Agreement with Eden Housing, Inc. for City Housing Property located at 10848 and 10860 San Pablo Avenue

2. Comments in support of the Eden Housing Development – *Submitted by Tom Panas, El Cerrito.*

Other:

3. Seeds propagated in El Cerrito, written comments, information on seed libraries – *Submitted by Tom Panas, El Cerrito.*

ORDINANCE NO. 2014-02

AN ORDINANCE OF THE CITY OF EL CERRITO SETTING REDUCED TAX RATES FOR FISCAL YEAR 2014-15 ONLY FOR THE SPECIAL TAX IMPOSED PURSUANT TO CHAPTER 4.56 OF THE EL CERRITO MUNICIPAL CODE

WHEREAS, Chapter 4.56 of the El Cerrito Municipal Code provides for a special tax (the “Special Tax”) for the purpose of renovating and reconstructing the El Cerrito Swim Center (the “Swim Center”), rehabilitating the Canyon Trails Clubhouse, and performing access and restroom renovations to the Harding, Huber, and Poinsett Park Clubhouses (collectively, the “Authorized Improvements”); and

WHEREAS, the Special Tax was approved by the voters at the March 7, 2000 election as Measure A and includes a maximum rate authorized per single-family residential unit, multi-family residential unit, and acre of non-residential property (the “Maximum Rates”); and

WHEREAS, each fiscal year, the City Council may amend Section 4.56 of the El Cerrito Municipal Code to reflect the lower rates if it determines that it is in the public interest to do so, or else the Maximum Rates will be levied; and

WHEREAS, the City Council has determined that the City will be able to meet its Fiscal Year 2014-15 obligations in connection with funding and financing the Authorized Improvements, by levying the Special Tax at rates lower than the Maximum Rates.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF EL CERRITO HEREBY ORDAINS AS FOLLOWS:

SECTION 1. That Sections 4.56.020 (B) of the El Cerrito Municipal Code is hereby amended to read as follows (additions in underline; deletions in ~~striketrough~~):

- B. For Fiscal Year ~~2013-14~~ 2014-15, the Special Tax imposed pursuant to Chapter 4.56 of the El Cerrito Municipal Code shall be imposed in the amount of \$38.61 per single family residential unit, \$29.73 per multifamily residential unit, and \$270.66 per acre of non-residential property. Thereafter, unless the Council adopts a further amending ordinance, the Special Tax shall be imposed at the Maximum Rate for each type of property.

SECTION 2. It is the intent of the City Council that, if any tax imposed under this Ordinance is for any reason held to be unconstitutional or contrary to state law, the tax which would have been imposed had this ordinance not been adopted shall remain effective.

SECTION 3. This ordinance shall take effect thirty days after passage and within fifteen days after passage, a summary of this ordinance shall be posted in accordance with Section 36933 of the Government Code of the State of California with the names of those City Council members voting for and against it.

Agenda Item No. 5(B)

THE FOREGOING ORDINANCE was introduced and first read at a regular meeting of the El Cerrito City Council on April 22, 2014, and adopted by the following vote on May 6, 2014:

AYES: Councilmembers Benassini, Bridges, Friedman, Lyman and Mayor
Abelson
NOES: None
ABSENT: None
ABSTAIN: None

ADOPTED AND ORDERED published at a regular meeting of the City Council held on the _____, _____, 2014, and passed by the following vote:

AYES: Councilmembers
NOES: Councilmembers
ABSENT: Councilmembers
ABSTAIN: Councilmembers

APPROVED:

Janet Abelson, Mayor

ATTEST:

Cheryl Morse, City Clerk

IN WITNESS of this action, I sign this document and affix the corporate seal of the City of El Cerrito on _____, 2014.

Cheryl Morse, City Clerk

ORDINANCE CERTIFICATION

I, Cheryl Morse, City Clerk of the City of El Cerrito, do hereby certify that this Ordinance is the true and correct original Ordinance No. 2014-02 of the City of El Cerrito; that said Ordinance was duly enacted and adopted by the City Council of the City of El Cerrito at a meeting of the City Council held on the ____ day of _____, 2014; and that said Ordinance has been ordered published and/or posted in the manner required by law.

WITNESS my hand and the Official Seal of the City of El Cerrito, California, this ____ day of _____, 2014.

Cheryl Morse, City Clerk



AGENDA BILL

Agenda Item No. 5(C)

Date: May 6, 2014

To: El Cerrito City Council

From: Lori Trevino, Senior Financial Analyst
Lisa Malek-Zadeh, Finance Director/City Treasurer

Subject: Accept the Engineer's Report on Landscape and Lighting Assessment District No. 1988-1, and Resolution of Intention to Order Improvements for Assessment District No. 1988-1; and Set the Date for the Public Hearing as May 20, 2014

ACTION REQUESTED

Accept the Engineer's Report specifying assessments for the Landscaping and Lighting Assessment District and adopt a Resolution of Intention to Order Improvements pursuant to the Landscape and Lighting Act of 1972, and setting the time, date, and place of the public hearing as May 20, 2014 at 7:00 p.m.

BACKGROUND

On June 6, 1988, the City Council established Assessment District No. 1988-1 pursuant to the Landscape and Lighting Act of 1972. The purpose of this Landscape and Lighting Assessment District (LLAD) is to raise funds to support improvements and maintenance of the City's park areas, landscaping areas, and street lighting. Every year since 1988, this Assessment District has generated approximately \$771,000 to support LLAD activities.

In November 1996, LLAD 1988-1 was approved by the voters and therefore complies with the provisions of Proposition 218. Any increase in the assessment fee level would be subject to Proposition 218's voter approval requirement.

In order to impose this annual assessment, the City Council must annually authorize an Engineer's Report to identify the costs, uses, and general benefits of those parcels within the LLAD. The City Council authorized such a report on April 1, 2014 by Resolution No. 2014-06. The report was prepared by the Engineer of Record, NBS Local Government Solutions.

The City Council must accept the Engineer's Report and conduct a public hearing to hear comments on the imposition of these assessments in order for the assessment to be imposed. The intent of this Agenda Bill is to accept the Engineer's Report and to schedule the public hearing for May 20, 2014.

ANALYSIS

The Resolution of Intention to Order Improvements describes the work to be performed during the next fiscal year, as outlined in the Engineer's Report. In addition, this Resolution sets the time, date, and place of the public hearing. A copy of the Fiscal Year 2014-15 Engineer's Report is on file at City Hall for public review.

The procedures for conducting the public hearing and receiving protests are the same as for forming the District; however, there are no provisions for majority protest.

The funding levels specified in the Engineer's Report include revenue from both the assessment and other funding sources. The funding is consistent with the work described in the Engineer's Report and in the Resolution of Intention to Order Improvements. Without the imposition of this assessment, the City would need to identify alternate funding sources for those items proposed to be funded by the LLAD or eliminate those items from the City's work plan in FY 2014-15.

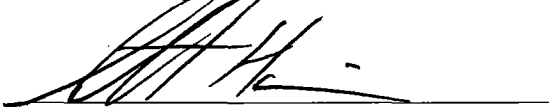
FINANCIAL CONSIDERATIONS

The current rate of assessment will generate approximately \$771,000 of LLAD revenue, which will be included in the City's FY 2014-15 budget. As the sources and uses of all public works revenues are currently under review, the cost for eligible expenditures in excess of the assessment revenue will be covered by City contributions from other appropriate funding sources or expenses will be reduced to ensure that the LLAD budget for FY 2014-15 is balanced.

LEGAL CONSIDERATIONS

The Resolution of Intention must be adopted in order to collect revenues from the Assessment District in accordance with the provisions of State law.

Reviewed by:

A handwritten signature in black ink, appearing to read 'S. Hanin', is written over a horizontal line.

Scott Hanin, City Manager

Attachments:

1. Resolution
2. LLAD Annual Engineer's Report FY 2014-15

RESOLUTION 2014-XX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL CERRITO ACCEPTING THE ANNUAL REPORT ON LANDSCAPE AND LIGHTING ASSESSMENT DISTRICT NO. 1988-1 AND RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF EL CERRITO TO ORDER IMPROVEMENTS FOR ASSESSMENT DISTRICT NO. 1988-1 AND TO SET THE DATE FOR THE PUBLIC HEARING AS MAY 20, 2014

WHEREAS, the City of El Cerrito, by Resolution No. 88-53 dated June 6, 1988, adopted Assessment District No. 1988-1 pursuant to the Landscape and Lighting Act of 1972; and

WHEREAS, the City of El Cerrito, by Resolution No. 2014-06 dated April 1, 2014 directed the filing of the Annual Report for Assessment District No. 1988-1; and

WHEREAS, the Engineer of Record, NBS Local Government Solutions, has prepared and, on April 24, 2014, filed said Annual Report; and

WHEREAS, the City Council has reviewed and accepted said Annual Report; and

WHEREAS, the Landscape and Lighting Act of 1972 requires the City Council to adopt a Resolution of Intention to Order Improvements within Assessment District No. 1988-1.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of El Cerrito that:

1. The City of El Cerrito intends to levy and collect assessments within Assessment District No. 1988-1 during Fiscal Year 2014-15. The area of land to be assessed is located in the City of El Cerrito, Contra Costa County, California.

2. The improvements to be made in this Assessment District are generally described as follows: Install, maintain and service public lighting, landscaping, and park and recreational facility improvements located within the incorporated limits of the City of El Cerrito, Contra Costa County, California.

3. In accordance with the City Council's resolution directing the filing of an Annual Report, the firm of NBS Local Government Solutions, Engineer of Work, has filed at City Hall the Report required by the Landscape and Lighting Act of 1972. All interested persons are referred to that Report for a full and detailed description of the improvements, the boundaries of the Assessment District, and the proposed assessments upon assessable lots and parcels of land within the Assessment District.

4. On Tuesday, the 20th day of May 2014 at the hour of 7:00 P.M., the City Council will conduct a public hearing on the question of the levy of the proposed annual assessment. The hearing will be held in the City Council Chambers, 10890 San Pablo Avenue, El Cerrito, California 94530.

5. The City Clerk is authorized and directed to give the notice of hearing required by the Landscape and Lighting Act of 1972.

Agenda Item No. 5(C)

Attachment 1

BE IT FURTHER RESOLVED this Resolution is scheduled for adoption on May 6, 2014 pursuant to California Streets and Highways Code §22624.

I CERTIFY that at the regular meeting on May 6, 2014 the El Cerrito City Council passed this resolution by the following vote:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:
ABSTAINED: COUNCILMEMBERS:

IN WITNESS of this action, I sign this document and affix the corporate seal of the City of El Cerrito on May X, 2014. *[Due to statutory requirements and tight publishing deadlines please contact the City Clerk at 510-215-4305 for the vote.]*

Cheryl Morse, City Clerk

APPROVED:

Janet Abelson, Mayor



City of El Cerrito

Landscape and Lighting Assessment District No. 1988-1

Fiscal Year 2014/15

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CITY OF EL CERRITO
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Phone - (510) 215-4300
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CITY COUNCIL

Janet Abelson, Mayor

Rebecca Benassini, Mayor Pro Tem

Jan Bridges, Councilmember

Mark Friedman, Councilmember

Greg Lyman, Councilmember

CITY STAFF

Lisa K. Malek-Zadeh, Finance Director/City Treasurer

Lori Trevino, Senior Financial Analyst

NBS

Tim Seufert, Client Services Director

Jason Roth, Consultant

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1. EXECUTIVE SUMMARY

The City of El Cerrito (the "City") directed NBS Government Finance Group, DBA NBS, to prepare and file a report presenting plans and specifications describing the general nature, location and extent of the improvements to be maintained, and an estimate of the costs of the maintenance, operations, and servicing of the improvements for the City of El Cerrito Landscape and Lighting Assessment District No. 1988-1 (the "District") for Fiscal Year 2014/15 pursuant to the provisions of the *Landscaping and Lighting Act of 1972, Part 2, Division 15 of the California Streets and Highways Code (commencing with Section 22500)* (the "Act").

The report includes a map of the District, showing the area and properties proposed to be assessed; an assessment of the estimated costs of the maintenance, operations and servicing of the improvements; and the net amount to be assessed upon all assessable lots and/or parcels within the District in proportion to the special benefit received.

The following tables summarize the annual levy by Zoning for Fiscal Year 2014/15 and Fiscal Year 2013/14:

Fiscal Year 2014/15

Zoning	Number of Parcels	Levy Total(1)
Residential	8,329	\$683,141.98
Commercial	470	88,185.82
Total:	8,799	\$771,327.80

(1) Total amount may vary slightly due to rounding adjustments

Fiscal Year 2013/14

Zoning	Number of Parcels	Levy Total(1)
Residential	8,328	\$686,284.82
Commercial	468	84,878.58
Total:	8,796	\$771,163.40

(1) Total amount may vary slightly due to rounding adjustments

2. OVERVIEW

2.1. Introduction

The District provides for the installation, maintenance, and servicing of public lighting, landscaping, and park and recreational facility improvements located within the incorporated limits of the City.

The costs to acquire and construct major new facilities to be maintained will generally be paid by sources other than District funds. While the District pays for the maintenance costs associated with various park and recreation programs, the costs of the programs themselves are not supported by District funds.

2.2. Plans and Specifications

The services performed are primarily maintenance and generally do not require plans. The plans and specifications to the extent that they exist, include but are not limited to:

- Conceptual plans
- Street lighting maps, detail lists, schedules, and PUC schedules
- Street Tree Planting Master Plan
- Maintenance specifications, programs, and policies for:
 - Landscaping
 - Medians
 - Graffiti abatement
 - Recreation buildings
 - Community and neighborhood park grounds
 - Weed abatement
 - Creeks and trails
 - Litter and debris removal
- Water, gas, and electric company requirements, policies and specifications

These documents are available in the Community Development, Public Works Division Office and are included in this report by reference. Diagrams indicating the location of the improvements to be serviced and maintained are included herein.

3. DESCRIPTION OF IMPROVEMENTS

The improvements to be installed, serviced, and maintained generally consist of the following:

Street Lighting

Residential Lighting - The District provides funding for street lighting throughout the City. This lighting typically consists of 70-watt bulbs located at intersections and at mid-block. Spacing of lights is typically 500 feet, although this distance may vary depending on topographic and right-of-way restraints.

Medium-Intensity Commercial Lighting - Industrial and some commercial districts have higher (100 or 150) watt bulbs spaced closer, typically at 250 foot intervals. Commercial districts on San Pablo Avenue and other arterial streets require a higher level of lighting intensity (typically four 150 watt bulbs every 500 feet).

Medians and Rights-of-Way

Corresponding numbers on the map in Section 4 depict the location of medians.

Landscaped medians are located on the following arterial streets:

1. San Pablo Ave. (entire length)
2. Carlson Blvd. (north City limit to Adams St.)
3. Moeser Lane (San Pablo Ave. to Pomona Ave. and Shevlin Dr. to Arlington Blvd.)
4. Central Ave. (Carlson Blvd. to San Pablo Ave. and Liberty St. to Richmond St.)
5. Ashbury Ave. (south City limit to Fairmount Ave.)
6. Fairmount Ave. (Liberty St. to Richmond St. and Carlson Blvd. to San Pablo Ave.)
7. Potrero Ave. (Eastshore Blvd. to San Pablo Ave.)
8. Hagen Blvd. (6526 to 6712)
9. Elm St. (at Blake St.)
10. Cutting Blvd. (at Elm St.)
11. Behrens St. (at south City limit)
12. Blake St. (at Navellier St.)

Maintained Stairways and Pathways

Corresponding letters on the map in Section 4 depict the location of the stairways and pathways.

- A. Alta Vista to north City limit
- B. Francisco to Tulare (2 segments)
- C. Barrett to Tassajara
- D. Alva to Barrett
- E. Tapscott to Harper
- F. Blake to Manor
- G. Madera to Julian to Potrero to Hillside Natural Area (4 segments)
- H. Madera to Hillside Natural Area
- I. Arlington to Shevlin (3 segments)
- J. King to Shevlin (south of Moeser)
- K. Bay Tree to Contra Costa
- L. Terrace to Huber Park (2 segments)
- M. Adams to Creekside Park

Creek and Street Trees

Day-lighted Creek in Public Property - Cerrito Creek, Baxter Gateway, and Poinsett

Street Trees - City-wide

Parks and Structures

Arlington Park and Clubhouse

1120 Arlington; tennis courts, picnic tables, barbecues, playground equipment, pond, basketball court, large grass area

Canyon Trail Park & Art Center

6757 Gatto; tennis courts, picnic tables, barbecue, playground equipment, large grass area, lower play area: creek, walking trails, small pond, and play equipment

Castro Park and Clubhouse

1420 Norvell; large playground and grassy area, field adjacent to Castro School blacktop (basketball courts, kickball diamond), tennis courts, small grassy area behind tennis courts, barbecue and picnic table

Cerrito Vista Park

950 Pomona; Large, well equipped playground area, field, track for jogging, tennis courts, barbecue and picnic area adjacent to park

Fairmont Park and Clubhouse

715 Lexington; adjacent to the Open House Senior Center, playground equipment, grassy area and field

Harding Park and Clubhouse

7115 C Street; play equipment, field adjacent to Harding School blacktop area (basketball courts, kickball diamond), tennis courts, and barbeque located on patio

Huber Park

7711 Sea View; lower cement area with basketball court and kickball area, climbing, large cement slide, and picnic area

Poinsett Park

5611 Poinsett; basketball, kickball area, and play equipment

Tassajara Park & Pottery Studio

2575 Tassajara; playground equipment, field, basketball court, tennis courts, and picnic area

Madera Clubhouse

1500 Devonshire

Ohlone Greenway

One block east of Kearney, the Ohlone Greenway is a linear park that runs 2.5 miles, the length of El Cerrito, ideal for walking or bicycling. It is the site of the frog habitat and wetland restoration classroom projects. At the corner of Manila and Kearney, is the Richard Itaya mini-park with its play equipment for younger school age children.

Hillside Natural Area

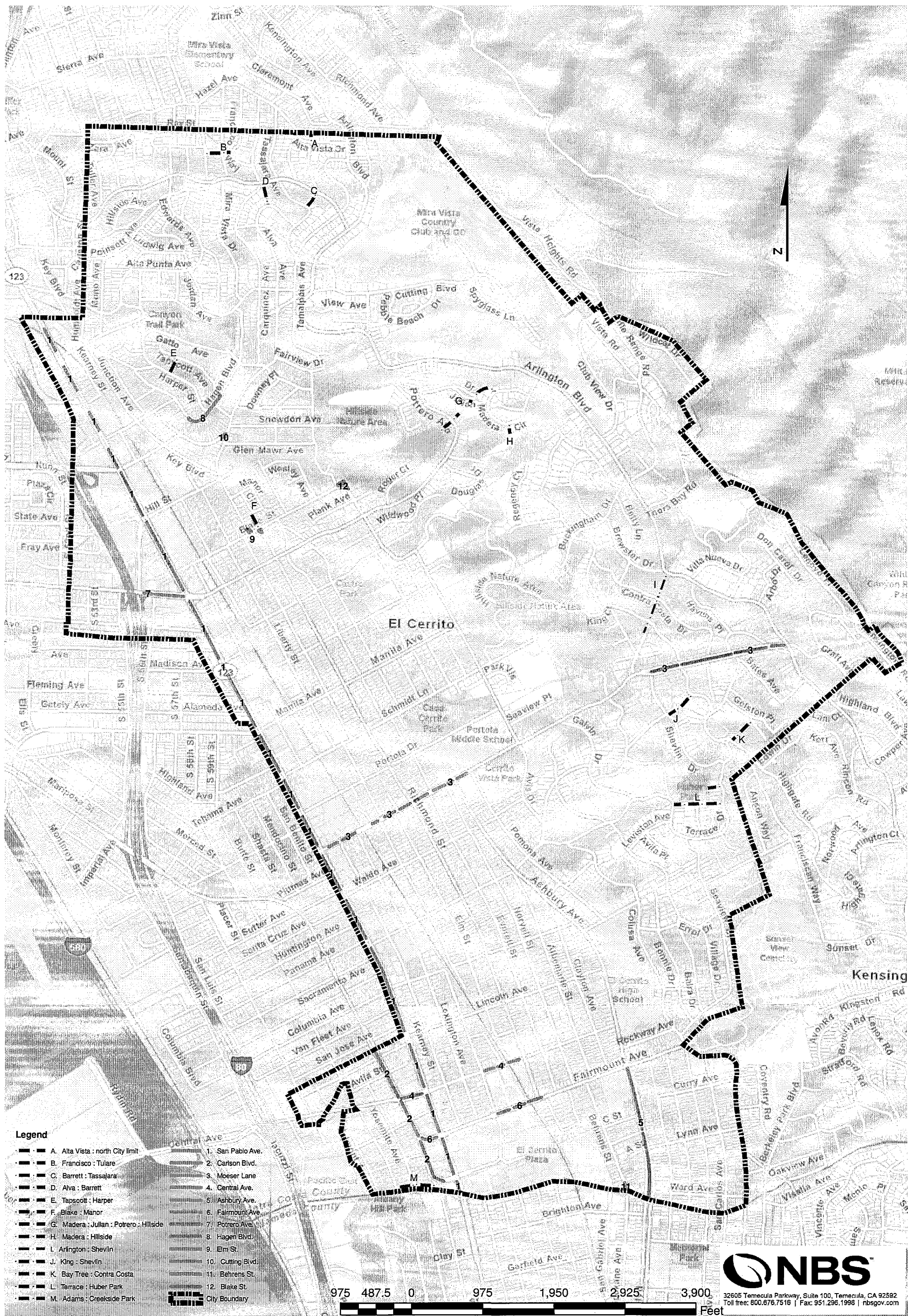
This natural area of 79.3 acres can be accessed from the east end of Schmidt Lane, north end of Potrero, and through King Court. Dogs, under their owner's control and on a leash, are allowed. Visit the Memorial Grove and note the natural vegetation of the area.

4. MAP OF DISTRICT

The following page contains a map of the District depicting the medians, rights-of-way, stairways, and pathways. The Assessment Diagram is on file with the City Clerk and incorporated by reference and made part of this Report.

CITY OF EL CERRITO

LANDSCAPE AND LIGHTING DISTRICT NO. 1988-1



5. METHOD OF ASSESSMENT

The estimated net cost of the improvements has been divided among the several parcels of land within the District in proportion to the estimated benefits to be received by the parcels, respectively, from the improvements. The method used to apportion the cost among the benefiting properties follows:

- 1) Residential costs were identified as the total estimated cost to provide landscaping, lighting, and sweeping on residentially zoned streets plus 98% of the net cost to maintain park and recreational facilities, plus a prorated share of the incidental expenses.
- 2) Commercial costs were identified as the total estimated cost to provide landscaping, lighting, and sweeping to frontage on commercially zoned streets, plus 2% of the net cost to maintain park and recreational facilities, plus a prorated share of the incidental expenses.

The net residential cost was apportioned within residentially zoned areas and the net commercial cost was apportioned within commercially zoned areas as follows:

RESIDENTIALLY ZONED AREAS

Occupied Single Family Residential (SFR) properties were assumed to benefit equally and were assessed the same. Multifamily Residential (MFR) parcels and condominiums were assumed to benefit less, due to increased density and private maintenance costs. MFR units were assessed 75% of the SFR rate for the first twenty units and 50% of the SFR rate for each additional unit over twenty.

Churches and private schools in residentially zoned areas were assessed for direct frontage benefits received. Commercial land uses in residential neighborhoods were assessed at the Zone 3 frontage rate, plus the commercial park assessment rate. One-hundred (100) feet of corner relief, or the side street dimension, whichever was less, was credited to corner parcels. Open space owned by private parties, utilities and the golf course were assessed for one-half the Zone 3 frontage assessment rates. Public property was not assessed.

Vacant lots were assessed at one-half the amount calculated for a similar occupied parcel. Assessments for common areas were considered to be included in the assessment for the various residential units.

Unusual or exceptional parcels were assessed according to the judgment of the engineer. Assessments for SFR properties that are divided by the City boundary were calculated by multiplying the rate for a SFR by the ratio of land area in the City's boundary.

COMMERCIALLY ZONED PROPERTY

Three zones of commercial street landscaping, lighting, and sweeping service are identified on the assessment diagram. The cost per foot to provide services to frontage on San Pablo Ave. (Zone 1) was estimated to be six times the cost of Commercial Zones 2 & 3 streets. Parcels with San Pablo Ave. frontage were assessed \$2.00 per front foot for direct benefit received. Parcels with frontage in Zones 2 and 3 were assessed \$0.33 per foot, or one-sixth the San Pablo Ave. assessment. Corner lots were credited one-hundred feet or the side yard dimensions, whichever was less. Parcels with frontage in more than one zone were assessed for the applicable frontage in each zone.

The remaining costs to provide street landscaping, lighting, and sweeping within the commercially zoned areas, including a prorated share of the incidental expense, were assessed to the properties located on Zones 1 and 2 streets in proportion to parcel area.

Areas and frontages were calculated using information on file with the County Assessor. Areas and frontages are approximations intended only as indicators of benefit.

The assessments for parcels within the El Cerrito Plaza and the Del Norte Marketplace shopping centers were calculated by totaling the frontage and area assessments and then prorating the total according to area.

SFR residential parcels in commercially zoned areas were presumed not to benefit more from increased levels of lighting and landscaping and were assessed at SFR rates.

MFR parcels in commercially zoned areas were assessed at SFR rates less 20%, representing a credit for the residential street lighting and sweeping benefit not received. MFR parcels in commercially zoned areas were also assessed for direct frontage benefits received. The commercial park and area assessment was not applied to MFR parcels.

Private institutions within the commercially zoned areas were assessed for the applicable frontage benefit, but were not assessed for commercial area or park benefit.

Motels were assessed as commercial properties.

Vacant lots were assessed at one-half the occupied rate.

Public properties were not assessed.

Unusual or exceptional properties were assessed according to the judgment of the engineer.

5.1. Assessment Rates

The following tables provide the assessment rates for Fiscal Year 2014/15.

Residential Zoning

Category	Per Unit	Per Foot
SFR	\$72.00	\$0.00
MFR 2-20 Units	54.00	0.00
MFR > 20 Units	1,080.00 + 36.00 (over 20)	0.00
PVT Inst	0.00	0.33
Vacant Lot	36.00	0.00
Vacant Land	0.00	0.17

Commercial Zoning

Category	Zone	Commercial Street Assessment			Commercial Park Assessment
		Per Unit	Per Foot	Per Acre	Per Acre
Commercial	1	\$0.00	\$2.00	\$121.00	\$80.00
	2	0.00	0.33	121.00	80.00
	3	0.00	0.33	0.00	0.00
MFR 2-20 Units	1	43.00	2.00	0.00	0.00
MFR > 20 Units	1	864.00 + 29.00 over 20	2.00	0.00	0.00
MFR 2-20 Units	2	43.00	0.33	0.00	0.00
MFR > 20 Units	2	864.00 + 29.00 over 20	0.33	0.00	0.00
PVT Inst	1	0.00	2.00	0.00	0.00
	2	0.00	0.33	0.00	0.00
Vacant	1	0.00	1.00	61.00	40.00
	2	0.00	0.17	61.00	40.00
	3	0.00	0.17	0.00	0.00

Assessments for parcels not described above were made in proportion to the estimated benefits received as determined by the engineer.

6. ESTIMATE OF COSTS

The following table shows the projected budget for Fiscal Year 2014/15.

<u>Revenues</u>	
Special Assessments	\$771,000.00
Operating Transfer In-GAS	545,000.00
Total Revenues	\$1,316,000.00
 <u>Expenditures</u>	
Regular Salaries & Wages	\$279,633.00
Part-Time Salaries & Wage	35,000.00
Overtime Pay	3,507.00
Straight OT	2,610.00
Special Pay	3,219.00
PARS Contribution	455.00
PERS Contribution	74,513.00
FICA/Medicare	22,995.00
Insurance & Benefits	107,243.00
Workers Compensation	14,358.00
Salary Savings	(156,167.00)
Collect & Admin Services	17,000.00
Miscellaneous Prof Services	0.00
Other-Technical Services	4,200.00
Utilities	92,000.00
Utilities-Street Light	220,000.00
Infrastructure Maintenance Services	18,000.00
Building Maintenance Services	30,000.00
Landscape/Park Maintenance Services	350,000.00
Dues and Subscriptions	1,000.00
Building Supplies	900.00
Landscape & Park Supplies	3,000.00
Operating Transfer Out-GEN	44,000.00
Total Expenditures	\$1,314,327.00

7. COUNTY USE CODES

The following pages contain the Contra Costa County use codes and a description of each.

CONTRA COSTA COUNTY USE CODES

Page 1 of 2

Use Code

Description

1	Residential
10	Vacant, unbuildable
11	Single family, 1 residential on 1 Site and Duets w/o common areas
12	Single family, 1 residential on 2 or more sites
13	Single family, 2 or more residential on 1 or more sites
14	Single family on other than single family land
15	Miscellaneous improvements, 1 site
16	Misc. improvements on 2 or more sites; includes trees and vines
17	Vacant, 1 site (includes PUD sites)
18	Vacant, 2 or more sites
19	Single family residential, detached, w/common area (normal subdivision type PUD); duets w/common area
2	Multiple
20	Vacant
21	Duplex
22	Triplex
23	Fourplex
24	Combinations; e.g., single and a double
25	Apartments, 5-12 units, inclusive
26	Apartments, 13-24 units, inclusive
27	Apartments, 25-59 units, inclusive
28	Apartments, 60 units or more
29	Attached PUD's, cluster homes, co-ops, condos, townhouses, etc.
3	Commercial
30	Vacant
31	Commercial stores (not supermarkets)
32	Small grocery stores (7-11, mom and pop, quick-stop)
33	Office buildings
34	Medical; dental
35	Service stations; car washes; bulk plants
36	Garages
37	Community facilities; recreational; swim pool association
38	Golf courses
39	Bowling alleys
4	Commercial
40	Boat Harbors
41	Supermarkets (not in shopping centers)
42	Shopping centers (all parcels include vacant for future shopping Center
43	Financial buildings (insurance and title companies, banks, savings and loans)
44	Motels, hotels, and mobile home parks
45	Theaters
46	Drive-in restaurants (hamburger, taco, etc.)
47	Restaurants (not drive-in; inside service only)
48	Multiple and commercial; miscellaneous improved
49	New car auto agencies

CONTRA COSTA COUNTY USE CODES

Page 2 of 2

5 Industrial

- 50 Vacant Land (not part of industrial park or P. and D.)
- 51 Industrial Park (with or without structures)
- 52 Research and Development, with or without structures
- 53 Light industrial
- 54 Heavy industrial
- 55 Mini-warehouse (public storage)
- 56 Miscellaneous improvements, including T & Von light or heavy industrial

6 Land

- 61 Rural, residential improved; 1 to 10 acres
- 62 Rural, with or without miscellaneous structures, 1 to 10 acres
- 63 Urban acreage, 10 to 40 acres
- 64 Urban acreage, more than 40 acres
- 65 Orchards, vineyards, row crops, irrigated pastures, 10 to 40 acres
- 66 Orchards, vineyards, row crops, irrigated pastures, over 40 acres
- 67 Dry farming, grazing and pasturing, 10 to 40 acres
- 68 Dry farming, grazing and pasturing, over 40 acres
- 69 Agricultural preserves

7 Institutional

- 70 Convalescent hospitals and rest homes
- 71 Churches
- 72 Schools, public or private, with or without improvements
- 73 Hospitals, with or without improvements
- 74 Cemeteries, mortuaries
- 75 Fraternal and service organizations
- 76 Retirement housing complex
- 77 Cultural uses (libraries)
- 78 Parks and playgrounds
- 79 Government-owned, with or without buildings (federal, state, city, BART)

8 Miscellaneous

- 80 Mineral rights (productive/nonproductive)
- 81 Private roads
- 82 Pipelines and canals
- 83 State board assessed parcels
- 84 Utilities, with or without buildings (not assessed by SBE)
- 85 Public and private parking
- 86 Taxable municipally-owned property
- 87 Common area parcels in PUD's (open spaces, recreational facilities)
- 88 Mobile home
- 89 Other; split parcels in different Tax Code Areas
- 90 Awaiting Assignment

8. CITY OWNED PARCELS

The following pages contain those parcels owned by the City of El Cerrito.

CITY OF EL CERRITO
Landscape and Lighting Assessment District 1988-1
Fiscal Year 2014/15 City Owned Parcel Listing

APN	ADDRESS	OWNER	USE CODE	ASSESSMENT
500-220-006	TASSAJARA AVE	EL CERRITO CITY OF	78	\$0.00
500-370-017	5611 POINSETT AVE	EL CERRITO CITY OF	78	0.00
501-092-006	CUTTING BLVD	EL CERRITO CITY OF	79	0.00
501-140-012	CUTTING BLVD	EL CERRITO CITY OF	79	0.00
501-241-017	SAN PABLO AVE	EL CERRITO CITY OF	79	0.00
501-261-017	6327 KNOTT AVE	EL CERRITO REDEVELOPMENT AGY	79	0.00
501-360-008	6757 GATTO AVE	EL CERRITO CITY OF	78	0.00
501-370-003	GATTO ST	EL CERRITO CITY OF	79	0.00
501-422-016	GATTO ST	EL CERRITO CITY OF	79	0.00
502-124-009	ELM ST	EL CERRITO CITY OF	79	0.00
502-154-014	7315 GANGES CT	EL CERRITO CITY OF	79	0.00
502-411-007	10900 SAN PABLO AVE	EL CERRITO CITY OF	79	0.00
503-010-003	10860 SAN PABLO AVE	EL CERRITO CITY OF	79	0.00
503-010-013	10890 SAN PABLO AVE	EL CERRITO CITY OF	79	0.00
503-010-014	10848 SAN PABLO AVE	EL CERRITO CITY OF	79	0.00
503-142-014	6927 PORTOLA DR	EL CERRITO CITY OF	79	0.00
503-160-029	7550 SCHMIDT LN	EL CERRITO CITY OF	79	0.00
503-170-001		EL CERRITO CITY OF	79	0.00
503-170-003	MOESER LN	EL CERRITO CITY OF	79	0.00
503-182-048	MOESER LN	EL CERRITO CITY OF	79	0.00
503-203-021	7007 MOESER LN	EL CERRITO CITY OF	79	0.00
503-210-018	KEARNEY ST	EL CERRITO CITY OF	79	0.00
503-280-008	MOESER LN	EL CERRITO CITY OF	79	0.00
503-280-009		EL CERRITO CITY OF	79	0.00
503-280-010	951 POMONA AVE	EL CERRITO CITY OF	79	0.00
503-383-002	6500-6510 STOCKTON AVE	EL CERRITO CITY OF	77	0.00
503-383-011	EUREKA AVE	EL CERRITO CITY OF	79	0.00
503-383-012	LEXINGTON AVE	EL CERRITO CITY OF	79	0.00
504-160-008	SAN PABLO AVE	EL CERRITO CITY OF	79	0.00
504-160-009	SAN PABLO AVE	EL CERRITO CITY OF	79	0.00
504-182-029	6800 FAIRMOUNT AVE	EL CERRITO CITY OF	79	0.00
505-040-004		EL CERRITO CITY OF	79	0.00
505-040-005		EL CERRITO CITY OF	79	0.00
505-050-004		EL CERRITO CITY OF	79	0.00
505-061-024	1625 ROGER CT	EL CERRITO CITY OF	79	0.00
505-061-025	1629 ROGER CT	EL CERRITO CITY OF	79	0.00
505-061-026	1633 ROGER CT	EL CERRITO CITY OF	79	0.00
505-061-027	1637 ROGER CT	EL CERRITO CITY OF	79	0.00
505-061-028	ROGER CT	EL CERRITO CITY OF	79	0.00
505-061-029	ROGER CT	EL CERRITO CITY OF	79	0.00
505-070-035		EL CERRITO CITY OF	79	0.00
505-080-004		EL CERRITO CITY OF	79	0.00
505-080-005		EL CERRITO CITY OF	79	0.00
505-080-010		EL CERRITO CITY OF	79	0.00
505-080-013	NAVILLIER ST	EL CERRITO CITY OF	79	0.00
505-080-015	NAVILLIER ST	EL CERRITO CITY OF	79	0.00
505-090-015	7431-7501 SCHMIDT LN	EL CERRITO CITY OF	79	0.00
505-090-016		EL CERRITO CITY OF	79	0.00
505-090-017		EL CERRITO CITY OF	79	0.00
505-110-003		EL CERRITO CITY OF	79	0.00
505-122-025	KENT DR	EL CERRITO CITY OF	79	0.00
505-130-002		EL CERRITO CITY OF	79	0.00
505-171-008	1520 ARLINGTON BLVD	EL CERRITO CITY OF	79	0.00
505-203-030	1085 CONTRA COSTA DR	EL CERRITO CITY OF	79	0.00
505-230-030	TERRACE DR	EL CERRITO CITY OF	78	0.00
505-401-014	POTRERO AVE	EL CERRITO CITY OF	79	0.00
505-403-018	DOUGLAS DR	EL CERRITO CITY OF	79	0.00
505-410-007	1110 ARLINGTON BLVD	EL CERRITO CITY OF	79	0.00
505-410-010	1120 ARLINGTON BLVD	EL CERRITO CITY OF	79	0.00
505-421-020		EL CERRITO CITY OF	79	0.00
510-011-011	BELMONT AVE	EL CERRITO CITY OF	79	0.00
510-012-019	3448 BELMONT AVE	EL CERRITO CITY OF	79	0.00
510-013-021	SANTA CLARA ST	EL CERRITO CITY OF	79	0.00
				\$0.00

9. ASSESSMENT ROLL

The parcel listing of assessments is provided as a separate document.



**May 6, 2014
City Council Meeting**

**Agenda Item 5C
Attachment 2 – LLAD Annual Engineer’s Report FY 2014-15
9. Assessment Roll – Parcel Listing**

Hardcopies are available for review at:

Office of the City Clerk
10890 San Pablo Avenue
El Cerrito, CA
(510) 215-4305

and

The El Cerrito Library
6510 Stockton Avenue
El Cerrito, CA

***CITY COUNCIL OF THE CITY OF EL CERRITO PROCLAMATION
Bike to Work Day on May 8, 2014***

WHEREAS, bicycling has multiple environmental benefits as well as personal health benefits; and

WHEREAS, the City of El Cerrito is committed to making the City of El Cerrito a more bike friendly city and encouraging increased bicycle use; and

WHEREAS, in 2013, the Council adopted a Climate Action Plan to reduce locally produced greenhouse gas emissions, help El Cerrito respond to the effects of climate change and create a safer and more sustainable El Cerrito; and

WHEREAS, the City is in the process of developing the Citywide Active Transportation Plan, an update to the City's Circulation Plan for Bicyclists and Pedestrians adopted in 2007; and

WHEREAS, the San Francisco Bay Area's 20th annual Bike to Work Day will take place on Thursday, May 8, 2014 with all nine Bay Area counties participating in the celebration; and

WHEREAS, as part of Bike to Work Day, Energizer Stations will be located along Bay Area commute routes where bicyclists can stop for refreshments, giveaways, and bicycling information or simply to be "cheered on" by fellow participants; and

WHEREAS, on Bike to Work Day, the City of El Cerrito will host an Energizer Station on the Ohlone Greenway near the El Cerrito Plaza BART station; and

WHEREAS, every day, drivers should remember to drive the speed limit, share the roadway and always watch for bicyclists; and

WHEREAS, the City Council encourages everyone to consider participating in Bike to Work Day and other Bike Month activities, to participate in a bicycle safety class, and to consider bicycling more often.

NOW THEREFORE, the City Council of the City of El Cerrito hereby approves a proclamation proclaiming May 8, 2014 as Bike to Work Day in the City of El Cerrito, recognizing the value of increased bicycle use and encouraging participation in the 20th Annual Bike to Work Day and other bicycling activities during the month of May.

Dated: May 6, 2014

Janet Abelson
Mayor



AGENDA BILL

Agenda Item No. 5(E)

Date: May 6, 2014

To: El Cerrito City Council

From: Lisa Malek-Zadeh, Finance Director City Treasurer

Subject: Transmittal of the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013; and of the Memorandum on Internal Control and Required Communications

ACTION REQUESTED

That the City Council receives and files the Comprehensive Annual Financial Report (CAFR) and the Memorandum on Internal Control and Required Communications (MOIC) for the year ending June 30, 2013.

BACKGROUND/ANALYSIS

The City's audit firm, Maze and Associates, has completed its audit of the City's financial records for the fiscal year ending June 30, 2013. A complete copy of the CAFR is available on the City's website at www.el-cerrito.org/13cafr. In addition to the audited financial statements, the auditors have completed and provided the required Memorandum on Internal Control and Required Communications (MOIC).

DISCUSSION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Staff is pleased to report that the City received an unmodified opinion for the FY 2012-13 financial statements. An unmodified opinion by the Auditor indicates that the Financial Statements have been prepared using Generally Accepted Accounting Principles; comply with relevant statutory requirements and regulations; include adequate disclosure of all material matters relevant to the proper presentation of the financial information subject to statutory requirements, where applicable; and any changes in the accounting principles or in the method of their application and the effects thereof have been properly determined and disclosed in the Financial Statements.

While the City has received a "clean opinion" for FY 2012-13, the Auditors have expressed the following item as Emphasis of Matters. The emphasis of matter does not constitute a modification of the Auditor's opinion, but is significant or important enough to warrant a mention in their report.

Redevelopment Agency Dissolution

The City recently filed suit against the Department of Finance (DOF). The City is disputing DOF's demand of funds and property conveyance made prior to dissolution in addition to challenging DOF's determination that agreements made between the City and the Municipal Services Corporation are not valid. There is considerable legal uncertainty regarding these matters and a determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

General Fund Cash and Fund Balance

As of June 30, 2013, the General Fund's unrestricted cash balance represented less than 5 days of General Fund expenditures, unassigned fund balance represents available fund balance and equates to approximately 16 days of General Fund expenditures, and expenditures in fiscal year 2013 exceeded revenues by \$948,104. Although the City continues to issue Tax Revenue Anticipation Notes to supplement cash temporarily during the fiscal year, if deficit spending were to continue, it reduces the likelihood that the City will be able to continue as a going concern.

State Board of Equalization Sales Tax Adjustment

In October 2013, the State Board of Equalization (BOE) made a new determination regarding the allocation of sales tax revenue shared by El Cerrito and Richmond regarding Home Depot. Based on this new determination, historical sales tax would have been misallocated by \$2,499,975 and BOE said they would withhold that amount from the December 2013 remittance to El Cerrito. This amount does not take into account monies already paid to the City of Richmond which would dramatically reduce this number. The City has requested documentation from the BOE to support its calculation and obtained an extension to December 31, 2014 for the opportunity to appeal the decision while management reviews BOE's methodology and calculations and negotiates a new sales tax sharing agreement with Richmond. The BOE did not withhold the amount from the December remittance, pending the City's review and potential appeal. Therefore, the demand is not recorded in the accompanying financial statements.

Implementation of Governmental Accounting Standards Board Pronouncements

Management adopted two new provisions of the following Governmental Accounting Standards Board (GASB) Statements; Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement 65 - Items Previously Reported as Assets and Liabilities. These statements became effective during the year ending June 30, 2013 and required certain nomenclature and format changes to the financial statements.

Restatement of Fund Balance

The City restated the Capital Improvement Fund beginning balance during the current fiscal year. The City determined that grant revenue was recognized in fiscal year 2011-12 in the amount of \$206,477, but should have to be recorded as unavailable revenue and therefore was restated. This reduced the beginning fund balance in the Capital Improvement Fund by that amount.

FY 2012-3 Year-end Status of the General Fund

At the end of the fiscal year, the total fund balance of the General Fund was \$2.3 million, a decrease of \$948,000 from the prior year. The decrease was primarily the result of a shortfall in sales and use taxes. The General Fund held nonspendable funds of \$48,000 for inventory and prepaid items, \$1.1 million in restricted funds and \$1.2 million in unassigned funds available for additional appropriation. The \$1.1 million in restricted funds include an unspent portion of a grant from the MSC and debt proceeds committed to a capital project to be completed in FY 2013-14.

MEMORANDUM ON INTERNAL CONTROL COMMUNICATION AND REQUIRED COMMUNICATIONS

In the course of performing the audit of the City's basic financial statements, in accordance with auditing standards generally accepted in the United States of America, the Auditors must consider the City's internal control system over financial reporting (internal control) for the purpose of expressing their opinion on the financial statements; however, the Auditor expresses no opinion on the effectiveness of the City's internal control. The objective of the Memorandum on Internal Control Communication and Required Communications (MOIC) is to advise the City Council of any material weaknesses which may result in a material misstatement of the financials and/or any significant deficiencies (less severe than material weakness) in the City's systems of internal financial controls. The Required Communications may advise the Council of upcoming accounting regulations, which affect the City's financial record, indicate any difficulties performing the audit or notify Council of disagreements with management. No difficulties in performance of the audit or disagreements with management were indicated.

FY 2012-13 Findings

The Auditor has noted three items as a material weakness. Below is a brief summary of the findings for FY 2012-2013 and the City's response.

2012-13-01 & 2012-13-02 Review of Journal Entries and Bank and Investment

Reconciliations: Through a sample review of journal entries and bank statements, the Auditors noted the absence of a signature indicating that the entries/statements had been reviewed and or approved by the Finance Director. While the majority of the entries/statements were in months when the department was under the direction of the former Administrative Services Director, the duties were not picked up by the new Finance Director and the review was not completed.

Response: Management agreed with the finding and although there was a review of bank activity and discussions about the journal entries prior to completion for the months under the new Director, the statements and entries did not include the proper signature indicating review and approval. This will be better coordinated in the future and will include the correct notation indicating review and approval.

2012-13-03 General Fund Budgets, Cash and Available Fund Balances: After post-closing entries, the General Fund unrestricted cash balances amounted to only \$362,000 and General Fund unassigned fund balances amounted to \$1.2 million. Unassigned fund balance represents available fund balance and equates to approximately 16 days of General Fund expenditures. This is a very low level of available resources. Unassigned fund balance declined \$1.1 million from the prior fiscal year, and the cash balance remained depleted due to short-term cash borrowings from other City funds. The City should address the timely grant billing in the

Capital Improvement Fund and any other funds with reimbursement-based funding so there is a clearer picture of the General Fund's long-term available resources. Lastly, staff should determine a minimum cash balance needed for the "dry spell" and to finance cash flows for the overall City. The City must ensure this minimum cash balance requirement is not depleted.

Response: They City shares the concerns expressed by the Auditor and has already implemented several actions that help better monitor and project the timing of expenses and revenues. The importance of restoring reserves is being addressed by ensuring ongoing expenses are supported by recurring revenues. This along with the actions discussed above will increase the availability of funds that can be set aside to build back the reserve.

Significant Deficiencies and New GASB Pronouncements

Additional items identified as deficiencies are less serious than those indicated as a material weakness, but they are important enough to be noted. Additional findings identified as significant deficiencies along with the new GASB pronouncements affecting future financial statements are discussed in more detail in the MOIC.

Reviewed by:

Scott Hanin
City Manager

Attachments:

1. Memo On Internal Control And Required Communications

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED
JUNE 30, 2013

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**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2013

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MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of El Cerrito, California

We have audited the basic financial statements of the City of El Cerrito, California, for the year ended June 30, 2013, and have issued our report thereon dated December 31, 2013. In planning and performing our audit of the basic financial statements of the City, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist and that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, we identified certain deficiencies in internal control that we consider to be material weaknesses that are included on the Schedule of Material Weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control that we consider to be significant deficiencies that are included on the Schedule of Significant Deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the City.

Management responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive script.

Pleasant Hill, California
December 31, 2013

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CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF MATERIAL WEAKNESSES

2013-01 Journal Entry Review and Approval Process

Journal entries should be reviewed and approved by a second employee to ensure they are accurate, accompanied by supporting documentation and are posted correctly to the general ledger.

The City's process for journal entries is that the Finance Manager prepares and posts journal entries to the general ledger and files them in a binder, which he keeps in his office. The Finance Director/City Treasurer later reviews the binder to approve and sign off on the journal entries.

We selected forty journal entries for testing of compliance with the City's policies and supporting documentation, and noted that thirty-nine of the journal entries tested were prepared by the Finance Manager, but none of them had been reviewed and approved by the former Administrative Services Director or the current Finance Director/City Treasurer. We also tested two budget adjustment journal entries and noted that they were not reviewed or approved.

We understand that the former Administrative Services Director would review all of the journal entries at one time, but did not do so prior to her departure in March 2013, and the duty was not assumed by the new Finance Director/City Treasurer.

Without proper approval of journal entries, the likelihood of an error or improper accounting treatment is increased. The Finance Director/City Treasurer should ensure all journal entries are properly reviewed, approved, and signed off.

Management's Response:

While many of the entries are discussed before they are completed, the Finance Director and Finance Manager will ensure that all entries are reviewed with a signature documenting that the review was completed.

2013-02 Timely Review of the Bank and Investment Reconciliations

Bank and investment reconciliations should be prepared, reviewed, and approved within 30-45 days after month end.

We reviewed the bank reconciliations for January, February, March, and April 2013, and the investment reconciliation for March 2013 and noted that although they were prepared timely, they were not reviewed and approved by the Finance Director/City Treasurer as of July 2, 2013. And, as of October 2013, the June 2013 bank and investment reconciliations did not contain any evidence that they had been reviewed and approved.

Without a review, instances of errors by the preparer during the bank reconciliation process could go undetected.

While we understand reviews had fallen behind after December 2012 and the Finance Director/City Treasurer started with the City in March 2013, bank and investment reconciliations should be reviewed and approved within the 30-45 days after month end, and evidence of the review should be documented in a formal manner.

Management's Response:

The Finance Director regularly monitors and reviews transactions in the City's bank accounts via online access. This provides a more timely review of activity and more immediate identification of any abnormalities. However, the Finance Director and Finance Manager will ensure that the reconciliations to statements are reviewed with the accompanying signature documenting review.

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CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-03 General Fund Budgets, Cash and Available Fund Balances

As discussed in prior year comment 2012-04, the City's General Fund budget and liquidity remain a top priority. When we began the year end audit, the General Fund had a deficit cash balance of \$540 thousand. After the City recorded post-closing adjusting journal entries to record the August 2013 loan of \$575 thousand from the Municipal Services Corporation as a fiscal year 2013 transaction and an adjustment to fiscal agent cash of \$327 thousand, as of June 30, 2013, General Fund unrestricted cash balances amounted to only \$362 thousand, and General Fund unassigned fund balances amounted to \$1.2 million. Unassigned fund balance represents available fund balance and equates to approximately 16 days of General Fund expenditures. This is a very low level of available resources. Unassigned fund balance declined \$1.1 million from the prior fiscal year, and the cash balance remained depleted due to short-term cash borrowings from other City funds. Other significant facts we wish to bring to your attention include:

- A. As of June 30, 2013, the balance of the Capital Improvement Fund borrowing from the General Fund was \$525 thousand and, as discussed in prior year comment 2011-02, the grant billings continue to lag and therefore, the General Fund may not be able to collect the amount due from the Capital Improvement Fund in a timely manner.
- B. While revenues and expenditures in the General Fund both increased by over \$620 thousand, there was a second year of the operating deficit of \$1.8 million and when combined with other activity in the fund, fund balance decreased by \$945 thousand at year end.
- C. The City also has long-term liabilities for unpaid compensated absences approximating \$1.5 million. Further, the amounts do not consider future cost increases for retirement costs which have unfunded liabilities.

During this year's audit, we again reviewed the City's financial condition and satisfied ourselves that the City had sufficient resources available that it could continue as a going concern through June 30, 2014. However, if deficit spending continues at the same level as the last two fiscal years, it reduces the likelihood that the City will be able to continue as a going concern, meaning the City is able to pay its bills on time. Although the City continues to issue Tax Revenue Anticipation Notes to supplement cash temporarily during the fiscal year, if deficit spending were to continue, it also reduces the likelihood that the City will be able to continue as a going concern. With our next audit we will again be required to review the City's financial condition and determine the likelihood of the City's status as a going concern.

Although the City's adopted budget for 2014 projects ending fund balance and net assets of all funds as a positive \$5.2 million, it includes a projected increase in the General Fund of only \$25 thousand and projected use of resources of \$2.4 million City-wide during 2014. The City should continue to monitor actual revenues and expenditures to ensure they are in line with expected results. Close management and comparison of actual activity against the budget will be needed to ensure further costs reductions are made as necessary. The City should address the timely grant billing in the Capital Improvement Fund and any other funds with reimbursement-based funding so there is a clearer picture of the General Fund's long-term available resources. Lastly, staff should determine a minimum cash balance needed for the "dry spell" and to finance cash flows for the overall City. The City must ensure this minimum cash balance requirement is not depleted.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-03 General Fund Budgets, Cash and Available Fund Balances (Continued)

Management's Response:

They City is addressing both its budget and cash issues through several actions that have already been implemented. These include more detailed budget forecasts with projections, reviewed, analyzed and reported on a regular basis, ongoing discussions with operating departments to review grant and capital improvement expenses and to confirm that receivables are being billed regularly. The City is also in the process of conducting an extensive review of both prior and current year cash flows to better understand and develop the City's cash requirements. In addition, more focus is being placed on the use of technology by utilizing more functions in our purchasing and billing modules. This will allow the City to better project and monitor anticipated expenses and the receipt of revenue. The importance of restoring reserves is being addressed in upcoming budget planning through the identification of reductions to ongoing expenditures. Aligning expenditures with revenues along with the actions discussed above will increase the availability of funds that can be set aside to build back the reserve.

There has been significant progress with the accuracy and timeliness of billing for reimbursable capital and grant expenditures. The deficit in Capital Improvement fund has decreased is primarily the result of expenditures occurred in prior years related to redevelopment projects that have not received the approved funding. The City is pursuing the reimbursement of these costs from the Department of Finance through the ROPS process as both the City Council and former Redevelopment Agency approved expenditure of these funds prior to dissolution.

2013-04 Internal Controls – Segregation of Duties

During our review of the City's internal controls for proper segregation of duties and procedures, we noted areas in which controls need to be improved and employee's access and/or duties revised. Good internal controls require that employees with access to the City's assets not have access to the City's accounting records for the same assets. Most of these issues were provided in the fiscal year 2012 Memorandum on Internal Control as prior year comments #2010-02 and #2009-06 and have not been implemented.

a. Super-User Status in the General Ledger System

Accounting staff should not normally be allowed to have Super-User rights in the City's general ledger system. We noted that three City employees, the Finance Director, the Finance Manager and the Information Services Coordinator have super-user rights to the New World General Ledger System.

When accounting staff have super-user rights, there is a potential risk of restricting or allowing access to other user's abilities to access the different modules in the accounting system. In addition, unauthorized transactions could be processed without proper review and approval.

While we understand the City has a limited number of staff available to provide system administration functions, and review and approval procedures in critical accounting areas partially mitigate the conflict, the lack of review in approval in other critical areas pose a significant control risk and the City should consider restricting super user rights to as few employees as possible.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-04 Internal Controls – Segregation of Duties (Continued)

b. Payroll Review, Accounts Payable Review and Super-User Status

The payroll edit report (payroll register) and the accounts payable check register should be reviewed by a second person to verify all checks are accurate and only authorized amounts are paid. This review should be performed by an employee that does not have access to the payroll module or the accounts payable module. The Finance Manager reviews the payroll edit report and the accounts payable check register; however he has access to the payroll system, accounts payable system, and has access to the check stock and the signature plate. In addition, he is a system "super user" as noted above. An independent review of changes to the payroll database (new employees, pay rate changes, etc.) or vendor database (new/ revised vendors, etc.) should be performed by an employee not involved with the processing and review above.

c. Access to Payroll System and Human Resources Module

We understand that due to a system limitation, the payroll function and the Human Resources function are combined into one module. Therefore, the payroll clerk has access to the payroll database and could make changes such as adding an employee or changing pay rates. Again, the City should determine whether a report of changes to the payroll database can be generated with each check run and reviewed and approved by an employee independent of the function.

d. Preparing and Processing W-2's

The Payroll Clerk prepares the annual W-2 forms and is responsible for following up on unclaimed W-2's. Since she also has access to the payroll system, these two functions should be segregated. The preparation of the annual W-2 forms should be closely monitored and reviewed, and any unclaimed W-2's should be followed up by a person not involved with the payroll function, such as the Human Resources department.

e. Accounts Receivable Adjustments and NSF Checks

The Business License Clerk has access to the accounts receivable "database" and is responsible for processing NSF checks. And, the Finance Manager can adjust accounts receivable balances and also has access to NSF checks. Employees with access to the NSF checks should not be involved with the cash collection or receivable procedures.

In addition, we understand that the "Customer Database" used to track customer billings is only an excel spreadsheet, not an actual system; therefore any adjustments to the receivables cannot be tracked. The City should consider the use of a database system to tighten controls over cash collection and billing procedures. If that is not possible, the responsibility for maintaining the "database" should be transferred to an employee that is not involved with the cash collections, and access to that database should be restricted.

f. Accounts Receivable Billings and Collections

The Business License Clerk is involved with the collection function, can adjust the accounts receivable "database," and sometimes prepares the billings for various departments. Personnel involved with the billing function should not also be involved with the collection function, especially when they have access to adjusting the balances.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-04 Internal Controls – Segregation of Duties (Continued)

g. Accounts Payable Processing and Vendor Database

The Accounts Payable Clerk and the Payroll Clerk have access to vendor database and could make changes such as adding a vendor or changing vendor contact information. The Payroll Clerk performs accounts payable processing functions when the Accounts Payable Clerk is not available.

The City should either remove their access to the vendor database or determine whether a report of changes to the vendor database can be generated with each check run and reviewed and approved by an employee independent of the function.

Management of the City must develop procedures to review the City's internal controls, starting with the duties of each employee to see if they conflict with the employees' access to the City's various assets. Where conflicts exist, if mitigating controls cannot be put in place to reduce the internal control risk, then either the ability to process the transaction or the access to the asset should be transferred to another appropriate employee.

Management's Response:

- a. The City will remove the Finance Director's super-user rights which will bring the number of super users to two. The IT Manager assumes almost all of the system maintenance and access duties and the Finance Manager acts as his back up.
- b. Due to limited number of staff, the Finance Manager is the most appropriate person to review payroll and accounts payable and ensure that it is done in a consistent and timely manner.
- c. Since the payroll technician needs access to Workforce Administration in the HR module in order to process employees' direct deposits and garnishments, she also has access to change employee rates. The City will review access rights within the Finance Department and determine if it is possible for staff to be denied access to certain fields in Workforce Administration, such as employee rates, without losing access to areas needed to process payroll.
- d. The City will reassign the responsibility of following up on unclaimed W-2's from the Payroll Technician in the Finance Department to the Personnel Technician in the Human Resources Department. Currently, the finance system does not have a report that tracks changes to the payroll database.
- e. The Finance Department plans on implementing the Accounts Receivable module in FY15 which will allow the department to better track the City's receivables and changes to the database.
- f. See response to item e. above.
- g. In order to process accounts payable efficiently, the Accounts Payable (A/P) Technician and her back-up, the Payroll Technician, both need access to creating vendors. Due to the limited number of staff, it is not practical to segregate the duty of creating vendors from the A/P function. A report of changes to the vendor database is not available.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-05 Payroll Review When Accounting Supervisor Processes Payroll

As discussed in 2013-04 above, the payroll edit report (payroll register) should be reviewed by a second person to verify all checks are accurate and only authorized amounts are paid. This review should be performed by an employee that does not have access to the payroll module. And, when the Finance Manager processes payroll as a backup for the Payroll Clerk, it is imperative that someone else perform his normal review of the payroll register.

During testing of payroll registers, we noted that for the pay period from August 19, 2012 through September 1, 2012, the register dated September 4, 2012 was processed by the Finance Manager who is also in charge of the reviewing process. After the register was processed, a second person did not review it for accuracy and whether amounts were being paid to only valid employees.

Without review and approval by a second appropriate employee, there is a possibility that payroll registers could contain errors in the check amounts or checks written to individuals who were not actual employees of the City for that time period.

We understand the Payroll Clerk responsible for payroll was on vacation during this time, therefore the Finance Manager processed the payroll and therefore could not also review the payroll register. An independent review of the payroll register should still be performed by an employee who did not process the same register.

Management's Response:

In the future, when the Finance Manager processes payroll in the absence of the Payroll Technician, he will have the Finance Director, Human Resources Manager or another staff member from Finance or Human Resources review his work.

2013-06 Recycling and Environmental Resource Center Cash Collection Procedures

All of the City's departments that collect payments from customers should have procedures in place to ensure proper segregation of duties are maintained throughout the billing and collection process.

At the City's Recycling and Environmental Resource Center (RERC), there should be proper segregation of duties among the employees which delineates the authority to access and update the billing spreadsheet, open checks and post them to the billing spreadsheet, enter information into the general ledger, review accounts for collectability, reconcile cash and billings, and deliver cash collections to the Finance Department.

We reviewed the cash collection procedures at the RERC and noted that similar duties are shared by many of the employees, and that there is no segregation for many of the duties. The issues we noted were as follows:

- All four of the administrative employees have access to the Excel spreadsheet used to track the Center's billings for rental fees and materials sales. Anyone can make changes to the spreadsheet, including the ability to: input a billing, delete a billing, or edit a billing.
- All four of the administrative employees can collect cash and checks from customers at the center, can post the receipt in the general ledger system, and can void a transaction. No approval by a second employee is required prior to processing a voided receipt.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-06 Recycling and Environmental Resource Center Cash Collection Procedures
(Continued)

- Two of these employees can collect cash, enter the collections into the general ledger system, reconcile cash and billings, and deliver the collections to the Finance Department for deposit.

The RERC began operations in its new facility within the last year it appears that they have not yet reviewed cash collection procedures to ensure that they include proper segregation of duties among the employees.

City staff should review the cash collection procedures at the RERC to ensure that employees with the access to prepare or adjust customer billings do not also collect customer payments, adjustments to a customer billing are approved by a second employee, and voided receipts require the approval of a second employee. In addition, the ability to collect customer payments should be limited to one employee at a time, and the daily collections should be reconciled by that employee and the reconciliation reviewed and approved by a second employee not involved with the collection.

Management's Response:

An Excel spreadsheet "Materials Database" is used to track loads of recyclable materials the City sells to buyers, and is an internal tracking of loads as based on paper weight tag/Bill of Lading records that are retained by the City's Operations + Environmental Services Division. These paper records are generated when the City ships a load of recyclables for sale, and are then submitted to the Division's recycling Management Assistant who inputs them into the Materials Database for tracking purposes. The City retains paper records for all loads that are shipped by the Division.

After shipment, the City receives check payments from buyers; some payments are per load based on market rates, and others are for multiple loads based on contracted rates. Because these payments are variable by market or include payment for multiple shipments, and are subject to adjustments on payment for individual loads, it is not feasible to use the City's New World Systems Accounts Receivable functionality to track these payments. Instead, the City uses the Materials Database to match payments to loads shipped and confirm that the City has received payment for all loads shipped. The Management Assistant matches check payments to loads shipped and inputs payments into New World Systems for inclusion in a batch reconciliation. This is reviewed and approved by the Division Manager. Because inputting load shipment records into the Database and matching check payments with load shipments in the Database requires intimate knowledge of the City's recycling operations, and because there is only one full time administrative staff person assigned to the Division, it is not feasible to segregate these two duties between two employees at this time (though the Division does employ part-time Administrative Clerks, it is not feasible for them to input shipping data or check data, as the Database requires consistency in order to be effective).

However, because the paper records received by the City as documentation of loads shipped are also retained by buyers, the City can receive reports of load shipments and payments from buyers on a regular basis; these statements may serve as a double-check against the information entered into the Database by the Management Assistant. The City proposes to request that all buyers make regular quarterly reports documenting all loads shipped and all payments made. These reports would go to the Division Manager, who could then perform a check against the Materials Database to ensure that all loads and payments have been included in the database.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-06 Recycling and Environmental Resource Center Cash Collection Procedures
(Continued)

It should be made clear that entries into the Materials Database do not constitute a "billing". Instead, it is merely a tracking system for materials sold, the main intent of which is to account for the total amount of materials sold, and to ensure that the City receives payment for all materials sold. Entering, deleting, or modifying lines in the Database does not add, delete, or alter billings in any way. Instead, the act of "billing" for materials sold is inherent in the delivery of the goods shipped, and payment is made based on the City's Agreement with the buyer.

The City is changing the functionality of New World System such that approval by a second employee is required prior to processing a voided receipt. Customer service operations at the Recycling + Environmental Resource Center often require the main customer service staff (full-time Management Assistant or part-time Administrative Clerks) to leave the front counter to assist customers. When this occurs, other staff are required to fill in and process transactions. As such, many RERC staff are trained to collect cash and checks and input them into the general ledger system.

Cash and billing reconciliation currently requires approval by a second employee (Operations + Environmental Services Division Manager) prior to completing the reconciliation process. The Manager then delivers collection to the Finance Department. As per the above, given limited staffing and high customer flow at the RERC, it is not feasible to limit collection of customer payments to one employee at a time. However, the Division's policy at the front counter is to utilize a hand written, serially number, duplicate receipt for all cash/check transactions (which does not include sales of recyclable materials shipped), provide a copy of that receipt to the customer, and file the remaining copy (with receipt from New World Services) with the cash/check. During the reconciliation and batching process, all receipts are reviewed by the Division Manager to ensure that there are no gaps in the serial numbers provided or investigate why any gaps exist. This investigation may include use of the RERC's CCTV system which overlooks the cashier area. The Division Manager will re-train all staff to ensure that the serial receipts are used in all transactions, and that customers must always be provided the receipts.

2013-07 Building Permits Calculations

Building permit fees should be calculated using the City's Master Fee Schedule. Due to the results of our building permits testing in prior years (see Memorandum on Internal Control items 2012-01, 2011-01, 2009-02 and 2008-03), we again selected twenty-five building permit receipts to recalculate the rates charged in accordance with the Council-approved Master Fee Schedule adopted with Resolution # 2012-33. Although the errors were not to the magnitude of prior year errors, we again noted calculation errors as follows:

- a. Three permits included a fee for the fire department's review of plans in the amounts of \$380, \$377, and \$377. However, the fire department's plan review fee is not included on the Master Fee Schedule and is based on a memorandum from the Fire Department to the Building Official that indicates the review fee should be 50% of the building plan fee.
- b. One permit for the installation of new windows in a residential remodeling project in the amount of \$339 for the installation and \$935.50 for the building plan check fee appeared to have been miscalculated and should have charged \$289 for the installation and \$936 for the plan check fee, a difference of \$49.50.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF SIGNIFICANT DEFICIENCIES

2013-07 Building Permits Calculations (Continued)

- c. Three permits did not include the mandated Strong Motion Instrumentation fee in the amounts of \$1.34, \$0.88 and \$0.68.

All building permit fees, including the fire department plan review, should be included in the Master Fee Schedule to ensure there is no confusion and that fees are charged to customers in a consistent manner, and all fees should be accurately calculated and charged to the customers.

Again, although these errors are not material errors like we have seen in the past, this volume of errors in our testing (7 of 25) indicates that there continues to be an issue with the permit fee calculation process and it appears to continue to be a significant deficiency. As we'd recommended in the prior years, the City must implement procedures to ensure that permit fees are calculated accurately and that all permits are reviewed and approved by a second person and the fees in the system agree to the Master Fee Schedule.

Management's Response:

The Fire Department plan review fees are listed in the Fire section of the Master Fee Schedule, which the Building Department collects after the Fire Department completes its review. (The Fire Plan Review is not 50% of the building plan fee.) The Building section of the Master Fee Schedule will be revised to refer the reader to the Fire section of the schedule for easier calculation in the next update to the Master Fee Schedule.

For building permits, the department calculates plan check and inspection fees separately, but collects 50% of the combined amount when an application is received, which is applied first to plan check fees and the remainder to inspection fees. It appears that the amount showing as a plan check fee is the amount collected for the two combined.

The Department will implement procedures to ensure that permit fees are calculated accurately, permits are reviewed and approved by a second person, and the fees in the system reflect those approved in the Master Fee Schedule.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2013-08 Purchasing Policy Compliance – Purchase Orders and Contracts

Section C2 of the City's July 2011 Purchasing Policy requires that purchases of goods and services valued at \$15,000 or more must be made with a purchase order, and the Purchasing by Formal Competitive Bid section of the Policy requires that purchases of supplies or equipment in excess of \$25,000 that are not subject to exemptions elsewhere in the Policy are subject to formal bidding.

We selected a sample of forty disbursements to test the effectiveness of disbursement processing, procedures, and compliance with the Policy and noted the following:

- One disbursement for goods and services in the amount of \$16,512 for landscaping services did not have a purchase order. The City spent a total of \$126,000 with the vendor during fiscal year 2013.
- One disbursement in the amount of amount of \$52,500 for maintenance of the City's radios did not have a purchase order and was not subject to competitive bidding.
- One disbursement in the amount of \$29,135 for the purchase of fuel for City vehicles was not subject to competitive bidding and the City did not have a contract with the vendor. The City spent a total of \$238,457 with the vendor during fiscal year 2013.

Although the above disbursements were approved by City staff, none of the transactions appear to meet the exceptions to the purchase order, contract or competitive bidding requirements of the City's Purchasing Policy. The City should either revise its procedures to comply with the requirements of the Purchasing Policy, or revise the Purchasing Policy to reflect current practices.

Management's Response:

The Finance Department is reviewing the current purchasing policies and practices. We have convened a multi-department purchasing committee that will be reviewing items such as the City's purchase order requirements, procurement practices and pricing for most frequently used vendors as well as implementing blanket purchase orders for recurring expenses such as utilities.

2013-09 Terminated Employees in Active Payroll System

Terminated employees should be removed from the payroll system immediately upon receiving their last paycheck.

During our testing of twelve terminated employees to ensure they were removed from the payroll system in a timely manner, we noted that one recreation employee was not terminated from the system until two months after the date of their last paycheck.

We understand the recreation employee was a part-time employee that the department thought may return for other projects.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2013-09 Terminated Employees in Active Payroll System (Continued)

Although the employee did not receive any payments subsequent to their last paycheck, terminated employees should not remain in the active payroll records. As we recommended in prior year Memorandum on Internal Controls comments 2012-07 and 2011-04, the City should develop procedures to ensure that subsequent to receiving their last paycheck, terminated employees are immediately removed from the active payroll system. In the event the employee is expected to return, the City should determine whether a procedure could be developed to deactivate the employee in the system and then re-activate the employee only upon appropriate approval (i.e. the payroll clerk should not be able to re-activate employees).

Management's Response:

Management agrees that terminated full-time employees should be deactivated in the system immediately after their final paycheck has been issued and only reactivated if another payment such as a retroactive FLSA payment needs to be issued. This is the City's current practice. As for temporary recreation employees, the Recreation Department may purposely not terminate an employee in anticipation that the employee will return to work in the near future. The Recreation Department receives a list of all active employees every two weeks to use as a checklist for gathering timesheets. Each fall, as the summer season wraps up, the Recreation Department will review this active employee list and process the necessary termination paperwork for those employees they don't expect to work until the next summer season.

2013-10 Investment Policy Compliance and Reporting

We reviewed the City's Investment Policy for compliance with the California Government Code requirements and we reviewed the City's Investment Report for compliance with the Government Code and the Investment Policy reporting requirements and noted the following:

- a. California Government Code Section 53646 (b)(1) requires that the quarterly Investment Report be submitted to the City Council within 30 days following the end of the quarter covered by the report. The Quarterly Investment Reports for the quarters ending December 31, 2012 and March 31, 2013 were not submitted to the City Council as of July 2, 2013, and the June 30, 2013 Report was not submitted to the City Council until September 17, 2013. The City should submit the quarterly reports within the 30 day requirement.
- b. California Code Section 53646 (b)(3) states that "the quarterly report shall include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available" In addition, Section 14 of the City's Investment Policy also requires the above element to be included on the Investment Report.

Per review of the City's December 31, 2012 Investment Report it did not contain the applicable provision above as required by California Code Section 53646 (b)(3) and the City's Investment Policy. Although the statement was added back to the March 2013 Investment Report, the City should ensure continual compliance with the reporting requirements of its Investment Policy and the Government Code.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2013-10 Investment Policy Compliance and Reporting (Continued)

- c. Internal Controls are to be Audited Annually - Section 13.0 (Internal Controls) of the City's Investment Policy adopted on February 23, 2012 requires "the City Treasurer will maintain a system of internal controls to ensure compliance with investment procedures of the City of El Cerrito and the California Government Code and these controls will be audited annually by the City's external audit firm." We have not been notified or engaged to audit the City's system of internal controls as required by Section 13.0 of their Investment Policy. The City should either notify us or another firm to perform a review of the internal controls to ensure compliance with investment procedures or the City should remove this section from the policy.
- d. Section 5 of the City's Investment Policy delegates the investment function to the City Treasurer under California Government Code Section 53607; however this section of the Code requires *monthly* reporting of investment transactions to the legislative body as follows:

The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year."

The City currently reports investment balances to City Council on a quarterly basis, but not transactions. The City should report the transactions to the City Council on a monthly basis in compliance with the requirements Government Code Section 53607. This reporting does not have to be in the form of an Investment Report, it need only include the investment transactions or a notation that there were no such transactions for the month.

The City should develop procedures to comply with the various provisions of its Investment Policy and the California Government Code, or revise the Policy to reflect the current practices, if and when they are in compliance with the California Government Code.

Management's Response:

Items A & B have been corrected and should not appear as a future finding.

Item C will be referred to the City's Financial Advisory Board to determine a set of appropriate internal controls that will ensure compliance.

Item D The only investment transactions that are occurring are related to the scheduled debt service payments. These transactions will be included as part of the regular investment reports including the corresponding dates of transactions.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2013-11 Recycling and Environmental Resource Center – Develop Uncollectible Accounts Policy

During our review of the cash collection procedures at the Recycling and Environmental Resource Center, we noted that the Center does not have a formal policy for addressing uncollectible accounts. We understand the Environmental Analyst looks at the Excel spreadsheet that is used to track the materials sales and rental fees billings and collections to determine what bills are overdue and then calls the customer to remind them of their overdue bill. However, determining which bills are overdue is subjective and not standard each time the billing spreadsheet is reviewed.

The City should establish a formal uncollectible accounts policy for the Recycling and Environmental Resource Center, or subject the Center to the City's other uncollectible accounts policies.

Management's Response:

The vast majority of materials sold by the City are subject to the terms of recycling purchase agreements, wherein terms of non-payment are specified. The RERC will be subject to the City's uncollectible account policies, and will implement those policies for any past due amounts identified during quarterly review of the Materials Database against records provided directly by the materials buyers.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you abreast of developments:

EFFECTIVE FISCAL 2014:

GASB 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods **beginning after June 15, 2013**. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees (Continued)

How the Changes in this Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

EFFECTIVE FISCAL 2015:

GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)

This Statement will have material impact on the City's financial statements. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

The following are the major impacts:

- This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (**net pension liability**) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (**total pension liability**), less the amount of the pension plan's **fiduciary net position**.
- Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end).
- The actuarial present value of projected benefit payments is required to be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)

Single and Agent Employers

- In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period.
- The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that are required to be recognized by an employer primarily result from changes in the components of the net pension liability—that is, changes in the total pension liability and in the pension plan's fiduciary net position.
- This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. For example, changes in the total pension liability resulting from current-period service cost, interest on the total pension liability, and changes of benefit terms are required to be included in pension expense immediately. Projected earnings on the pension plan's investments also are required to be included in the determination of pension expense immediately.
- The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions.
- Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.
- In governmental fund financial statements: A net pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable **available** financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)

- Notes to financial statements of single and agent employers include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit terms. Single and agent employers also should disclose the following information:
 - For the current year, sources of changes in the net pension liability
 - Significant assumptions and other inputs used to calculate the total pension liability, including those about inflation, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies.
 - The date of the actuarial valuation used to determine the total pension liability, information about changes of assumptions or other inputs and benefit terms, the basis for determining employer contributions to the pension plan, and information about the purchase of allocated insurance contracts, if any.
 - Required Supplementary Information: Single and agent employers are required to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:
 - Sources of changes in the net pension liability
 - The components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.
 - Schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the pension plan, and related ratios. If the contributions of a single or agent employer are not actuarially determined but are established in statute or by contract, the employer should present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the pension plan, and related ratios.
 - Significant methods and assumptions used in calculating the actuarially determined contributions, if applicable, should be presented as notes to required supplementary information. In addition, the employer should explain factors that significantly affect trends in the amounts reported in the schedules, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)

Cost-Sharing Employers

- Government-wide and accrual basis of accounting financial statements: A cost-sharing employer that does not have a special funding situation is required to recognize a liability for its **proportionate** share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.
- A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.
- In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees). The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.
- In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
- Notes to financial statements of cost-sharing employers include descriptive information about the pension plans through which the pensions are provided. Cost-sharing employers should identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also should disclose information about how their contributions to the pension plan are determined.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

**GASB 68 - Accounting and Financial Reporting for Pensions (an amendment of GASB 27)
(Continued)**

- This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF SIGNIFICANT DEFICIENCIES**

2012-01 Building Permit Fee Calculations and Documentation

Building permit fees should be calculated using the City's Master Fee Schedule. Due to the results of our building permits testing in prior years (See Memorandum on Internal Control items #2011-01, 2009-02 and 2008-03), we again selected 15 building permit receipts to recalculate the rates charged in accordance with the Council-approved rate schedule. Although the errors were not up to the magnitude of prior year errors, we found the following:

- a. Two permits paid in July and October 2011 were each undercharged the Travel and Documentation fee by \$5 because the change to the Travel and Documentation fee in the 2012 Master Fee Schedule was not updated in the system until late October 2011.

The City should implement procedures to review the annual system update of the Master Fee Schedule in detail to ensure all associated fees are updated correctly and all fees reflect those in the current Schedule.

- b. Two permits overcharged customers a total of \$4 for the California Building Standards Commission (CBSC) Fee. Senate Bill 1473 requires that Cities collect a fee from applicants for building permits. The fee is based on the schedule below obtained from Building Standards Bulletin 08-01:

<u>Permit Valuation:</u>	<u>Fee:</u>
\$1-25,000	\$1
\$25,001-50,000	\$2
\$50,001-75,000	\$3
\$75,001-100,000	\$4

Every \$25,000 or fraction thereof above \$100,000, add \$1.

We had noted this same error in the prior year testing (see prior year comment 2011-01) and it appears that the system has not been corrected.

Fee schedules in the system should be reviewed in detail at least annually, and of course each time there is a fee change, to ensure they are accurate and they should be tested to ensure that permits issued are being calculated correctly.

- c. One permit for the fire department review fee of \$441 was charged based upon a memo from the Fire Department to the Building Official that indicates the review fee should be 50% of the building plan fees of \$882. The fee does not appear to be included on the Master Fee Schedule.

All building permit fees should be included on the Master Fee Schedule to ensure that there is no confusion and that fees are charged to customers in a consistent manner.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF SIGNIFICANT DEFICIENCIES**

2012-01 Building Permit Fee Calculations and Documentation (Continued)

Again, although these errors are not material errors like we have seen in the past, this volume of errors in our testing (4 of 15) indicates that there continues to be an issue with the permit fee calculation process and it appears to continue to be a significant deficiency. As we'd recommended in the prior years, the City must implement procedures to ensure that permit fees are calculated accurately and that all permits are reviewed and approved by a second person and the fees in the system agree to the Master Fee Schedule.

Current Status:

The City has made progress in addressing issues with the permit fee calculation process. The City will ensure that current fees are reflected accurately in the system at the annual update and that they are the fees being charged to customers. Recent changes in leadership in the division provide an opportunity for better oversight and consistency.

2012-02 Recording Interfund Activity Between the City's Component Units

The City's reporting entity includes three legally separate entities that are accounted for in the City's governmental funds: the former El Cerrito Redevelopment Agency, the El Cerrito Public Financing Authority, and the El Cerrito Municipal Services Corporation. Although they are separate legal entities, the City is financially accountable for their activities and City Council serves as the Board or the majority of the Board for each entity and they are reported as blended component units of the City. Blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. Transactions between these entities that are not those of a vendor-customer relationship should be reported as interfund transactions (transfers in and transfers out) in the City's financial statements.

During fiscal year 2012, the Municipal Services Corporation approved contributions to the City's General Fund and Federal, State and Local Grants Special Revenue Fund totaling \$2 million to fund a consulting services agreement and grants for projects and programs "consistent with the Corporation's charitable purposes and goals." These contributions were recorded in the general ledger as expenditures of the Corporation and revenues to the General Fund and the Federal, State and Local Grants Special Revenue Fund.

We understand that City staff recorded the transactions in this manner, because City staff views the Corporation as a separate entity. However, since the Corporation is a blended component unit of the City, these contributions should have been recorded as interfund transfers between the funds. In the separately issued financial statements of the Corporation, the transactions can be reported as contributions or expenditures.

City staff should review future transactions between the City and its blended component units to ensure that they are properly reported in the City's general ledger and financial statements.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF SIGNIFICANT DEFICIENCIES**

2012-02 Recording Interfund Activity Between the City's Component Units (Continued)

Current Status:

The City is aware of the reporting distinctions for legally separate entities that are blended component units. However, since the El Cerrito Municipal Services Corporation maintains its own banking accounts and has its expenditure authority through a separate board of directors, City staff treated transactions between the Corporation and other entities as those of a vendor-customer relationship. This approach will enable the Corporation to produce a separate financial statement accurately reflecting its revenues and expenses, as well as provide the necessary information for year-end adjustments to the general ledger so that the City can produce a Comprehensive Annual Financial Report that reflects the Corporation as a blended component unit.

2012-03 Uninsured and Uncollateralized Bank Account

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As we had noted in prior year comments 2011-06 and 2010-05, the City had bank balances exposed to custodial credit risk as of June 30, 2011 related to an escrow account for the Recycling Center Capital Lease. In response to that comment, the City intended to transfer the funds to an FDIC insured and collateralized account. Although the funds were transferred to the new account in fiscal year 2012 as intended, \$209,479 of the City's bank balances of \$3,676,191 was exposed to custodial credit risk, because the new escrow account was uncollateralized beyond the FDIC insurance of \$250,000. City staff was not aware that the new account was uncollateralized.

The City should consider investing the balance in an investment that is not subject to custodial credit risk and in the future new accounts established should be reviewed in detail for custodial credit risk to the City's balances on deposit.

Current Status:

In September 2012, nearly all funds in the Escrow account in question were drawn down to close out the Recycling Center project, leaving a remaining balance of \$1,294.62, thereby falling within the FDIC insurance coverage. In the future, any bank accounts established will be reviewed in detail to ensure there is not custodial credit risk to City's balances on deposit.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF SIGNIFICANT DEFICIENCIES**

2011-01 Building Permit Fee Calculations and Documentation

Building permit fees should be calculated using the City's Master Fee Schedule. Due to the results of our building permits testing in prior years (See Memorandum on Internal Control items #2009-02 and 2008-03), we again selected 19 building permit receipts to recalculate the rates charged in accordance with the Council-approved rate schedule and found the following:

- a. One permit was miscalculated due to mathematical errors and the fee being based on the initial project square footage, rather than the larger final square footage. In addition, we noted that the permit had been calculated manually. The errors resulted in the developer being undercharged by \$19,370.

If permits cannot be calculated directly in the billing system, manual calculations should be performed using a spreadsheet with formulas, rather than pencil and paper, to minimize the chance of errors. And, although the City did subsequently bill the developer for the additional fees after we brought the error to the attention of City staff, the fee should have been reviewed and approved in detail to minimize the chance of such a miscalculation.

- b. One permit was miscalculated due to the fee being based on square footage that was not the final project square footage, which resulted in the customer being undercharged by \$625. If permits are to be based on the actual square footage, a process should be put in place to ensure that the final square footage is used and the basis for the fee is reviewed and approved.
- c. Seven permits, including the two above and one of the permits below, overcharged customers a total of \$28 for the California Building Standards Commission (CBSC) Fee. Senate Bill 1473 requires that Cities collect a fee from applicants for building permits. The fee is based on the schedule below obtained from Building Standards Bulletin 08-01:

<u>Permit Valuation:</u>	<u>Fee:</u>
\$1-25,000	\$1
\$25,001-50,000	\$2
\$50,001-75,000	\$3
\$75,001-100,000	\$4

Every \$25,000 or fraction thereof above \$100,000, add \$1.

The seven permits tested were for jobs with valuations over \$100,000, and the CBSC fee is automatically calculated by the permit system based on the entered job valuation. It appears that the formula for calculating the fee for jobs over \$100,000 was input incorrectly, because we recalculated the fees and noted that each permit was overcharged by \$4.

Fee schedules in the system should be reviewed in detail at least annually, and of course each time there is a fee change, to ensure they are accurate and they should be tested to ensure that permits issued are being calculated correctly.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF SIGNIFICANT DEFICIENCIES**

2011-01 Building Permit Fee Calculations and Documentation (Continued)

- d. Supporting documentation for two permits selected for testing could not be located by City staff and therefore we were unable to determine that the correct fees had been calculated and charged. The two permit fees totaled \$14,071. According to City staff, the permits had been finalized and the supporting documentation had not been retained, however we noted that they had expiration dates of 10/25/11 and 10/30/11.

Supporting documentation for fees paid during the fiscal year should be subject to the City's "normal" records retention policy and we would expect that policy would require the retention for at least a year after payment.

This volume of errors in our testing indicates that there continues to be an issue with the permit fee calculation process. As we'd recommended in the prior years, the City must implement procedures to ensure that permit fees are calculated accurately and that all permits are reviewed and approved by a second person. In the absence of a change to the Master Fee Schedule, the City should determine whether the fee adjustments, or at least the documentation of the calculation and approval, could be incorporated into the permit system, which would reduce the need for manual calculations and manual approval worksheets. In addition, the City should continue to ensure that any manual overrides of fees in the permit system are well documented and that they are reviewed in detail and approved by the Building Official or the Community Development Director.

Current Status:

The City recognizes that there are issues with the permit fee calculation process. Currently, the City is in the process of upgrading the permitting software, and through this exercise the entire permitting process is being examined to determine the appropriate procedures necessary to prevent errors in the future. Actions have already been taken to prevent calculation errors in the future by not allowing for the adjustment or modification of fees. Additionally, action has been taken on the leadership in the division in order to ensure that the recommendations in this memorandum are addressed and corrected.

See also Current Status of Comment 2012-01 and 2013-07.

2011-02 Timely Grant Billings and Federal Expenditure Reporting

The City has a number of projects that are fully or partially funded by federal grants on a reimbursement basis. As the City incurs related project costs, timely grant reimbursement requests should be prepared and filed with the grantor to minimize the time between disbursement and reimbursement. Cash management of grant funded projects is vital to the continuation and successful completion of the projects. If grant funds are not requested timely, the funding source may no longer have available funds for reimbursement or funds may be deprogrammed by the grantor.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF SIGNIFICANT DEFICIENCIES**

2011-02 Timely Grant Billings and Federal Expenditure Reporting (Continued)

During the year end audit, it came to our attention that reimbursement requests for the City's various grant-funded street and other related projects are not being prepared timely as evidenced by the year end fund balance deficit in the Capital Improvement Capital Projects Fund of \$835,000. In addition, if reimbursement requests are not filed timely, the annual Single Audit of the City's federal award grants may not include federal expenditures in the proper period, because the City normally prepares the Schedule of Expenditures of Federal Awards included in the Single Audit based on revenues received, rather than expenditures incurred. The City should develop procedures to ensure grant reimbursement requests are prepared on a timely basis, at least quarterly, as costs are incurred not only to improve cash flow but to match expenditures with associated revenues in the same period.

Update for 2012 – Grant reimbursements continue to lag behind expenditures and the fund balance deficit in the Capital Improvement Capital Projects Fund was \$525,000 at June 30, 2012, which resulted in the need to borrow \$1.3 million from the General Fund to cure the cash deficit in the fund.

Current Status:
Implemented.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2012-04 General Fund Budgets and Available Fund Balances

The City's General Fund budget and liquidity remain a top priority. When we began the year end audit, the General Fund had a deficit cash balance of \$50 thousand. After the City recorded a post-closing adjusting journal entry to record the administrative cost funding from the Successor Agency to the Redevelopment Agency, as of June 30, 2012, General Fund cash balances amounted to only \$199 thousand, and General Fund unassigned fund balances amounted to \$2.6 million. Unassigned fund balance represents available fund balance and equates to approximately 37 days of General Fund expenditures. Although the unassigned fund balance is comparable to the prior fiscal year, the cash balance declined \$1.6 million from the prior year due to short-term cash borrowings from other City funds. Other significant facts we wish to bring to your attention include:

- A. As of June 30, 2012, the balance of the Capital Improvement Fund borrowing from the General Fund was \$1.3 million and, as discussed in prior year comment 2011-02, the grant billings continue to lag and therefore, the General Fund may not be able to collect the amount due from the Capital Improvement Fund in a timely manner.
- B. While revenues and expenditures in the General Fund both increased by \$1.6 million, there was an operating deficit of \$1.8 million and when combined with other activity in the fund, including the return of land held for redevelopment to the former Redevelopment Agency, fund balance decreased by \$3.2 million at year end.
- C. The City also has long-term liabilities for unpaid compensated absences approximating \$1.6 million. Further, the amounts do not consider future cost increases for retirement costs which have unfunded liabilities.

During this year's audit, we reviewed the City's financial condition and satisfied ourselves that the City had sufficient resources available that it could continue as a going concern through June 30, 2013. However, if deficit spending were to continue, it reduces the likelihood that the City will be able to continue as a going concern, meaning the City is able to pay its bills on time. With our next audit we will again be required to review the City's financial condition and determine the likelihood of the City's status as a going concern.

Although the City's adopted budget for 2013 projects ending fund balance and net assets of all funds as a positive \$13.4 million, it includes a projected increase in the General Fund of only \$172 thousand and projected use of resources of \$640 thousand City-wide during 2013. The City should continue to monitor actual revenues and expenditures to ensure they are in line with expected results. Close management and comparison of actual activity against the budget will be needed to ensure further costs reductions are made as necessary. The City should address the timely grant billing in the Capital Improvement Fund and any other funds with reimbursement-based funding so there is a clearer picture of the General Fund's long-term available resources. Lastly, staff should determine a minimum cash balance needed for the "dry spell" and to finance cash flows for the overall City. The City must ensure this minimum cash balance requirement is not depleted.

Current Status:

See Management's Response to comment 2013-03.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2012-05 Monitoring Expenditures of the Municipal Services Corporation, Housing Successor, Successor Agency and Ensuring Compliance with the Dissolution Laws

In fiscal year 2011, the Redevelopment Agency entered into a cooperation agreement and assignment and assumption agreements (Agreements) with the Municipal Services Corporation and provided funding and transferred land held for redevelopment to the Corporation for redevelopment purposes consistent with the California Redevelopment Law and to implement and carry out the Redevelopment Plans for the Project area. The Redevelopment Agency provided additional project funding under the Agreements to the Corporation during fiscal year 2012.

The Redevelopment Agency was dissolved as of January 31, 2012 and certain dissolution laws enacted by AB x1 26 require the return of unexpended Redevelopment Agency funds to the Successor Agency to the Redevelopment Agency as of that date. Although certain assets of the former Redevelopment Agency were transferred to the Successor Agency, the City contends that the Agreements were lawfully executed and still valid as of that date and the Corporation retained the assets it held and continued to expend funds under the Agreements. This matter has not yet been settled with the State Department of Finance. Therefore, the City should closely monitor the expenditures of the Corporation to ensure they are made in compliance with California Redevelopment Law as required by the Agreements.

The housing assets of the former Redevelopment Agency as of January 31, 2012, excluding unencumbered cash balances, were transferred to the City as Housing Successor. After January 31, 2012, the Housing Successor may use proceeds from the housing assets only for low and moderate income housing purposes in accordance with California Redevelopment Law. The City must develop procedures to closely monitor the expenditures of the Low/Mod Income Housing Asset Special Revenue Fund (Housing Successor Fund) to ensure they are made in compliance with California Redevelopment Laws.

Finally, City staff must continue to closely review all expenditures of the Successor Agency to the Redevelopment Agency to ensure they are only for Oversight Board approved and Department of Finance approved items deemed enforceable obligations.

Current Status:

City staff is monitoring the Corporation's use of funds paid by and of land held for redevelopment conveyed by the Redevelopment Agency are consistent with California Redevelopment Law, as outlined in the terms of the Agreements.

The City is monitoring the use of Housing Assets to ensure it is consistent with California Redevelopment Law.

City staff reviews all expenditures by the Successor Agency to ensure they are for approved enforceable obligations.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2012-06 Purchasing Policy Compliance – Use of Purchase Orders/Informal Bidding and Contracts

The City's Purchasing Policy includes the following documentation and approval requirements:

- Purchases of goods and services valued at \$5,000 or more and must be made with a purchase order.
- Informal bidding is required for purchases between \$2,500 and \$25,000.
- Purchases made from a single vendor (either individually or collectively within one fiscal year) over \$25,000 require City Council approval.

We selected a sample of forty-six disbursements to test the compliance with the City's purchasing policies and procedures and noted the following:

- No Contract and No Council Approval:
 - Adamson Police Products, \$1,967, year to date expenditures as of April 2012 of \$27,059 (purchase of police ammunition)
 - All Points Petroleum, \$15,093, year to date expenditures as of April 2012 of \$217,375 (gasoline and fuel purchase). Informal bids were received, but a contract was not established.
- No Purchase Order:
 - Adamson Police Products

Procedures should be established to periodically review the year-to-date expenditures for vendors to determine whether Council approval is required for expenditures that would bring the total disbursements to more than \$25,000.

The City's Purchasing Policy was last revised in August 2006. As we have recommended in prior years, the City should perform a review of current purchasing procedures in conjunction with the Purchasing Policy and determine whether the Policy should be revised to reflect current practices, or if the Policy requirements should be enforced.

Current Status:

The City's Purchasing Policy was revised in July 2011; however, the auditors were given a copy of the outdated policy in error. Regardless to which policy one refers, cumulative purchases exceeding \$15,000 require a purchase order and cumulative purchases exceeding \$25,000 require a contract and Council approval. The City will review the purchasing policy and consider establishing a process for tracking cumulative expenditures by vendor.

See also Management's Response to Comment 2013-08.

CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL

STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS

2012-07 Terminated Employees in Active Payroll System

Terminated employees should be removed from the payroll system immediately upon receiving their last paycheck. During our testing of ten employees terminated during fiscal year 2012 to ensure they were removed from the payroll system in a timely manner, we noted the following:

- Four police employees were not terminated from the system until up to 7 months after the date of their last paycheck.
- One recreation employee was not terminated from the system until 2.5 months after the date of last paycheck.

We understand the police employees were left as active in the system until they received their last retroactive FLSA payment, which is only processed a few times during the year, usually every six months. We understand the recreation employee was a part-time employee that the department thought may return for other projects.

Although it appears that the employees did not receive any payments subsequent to their last paychecks other than the police FLSA payments noted above, terminated employees should not remain in the active payroll records. The City should develop procedures to ensure that subsequent to receiving their last paycheck, terminated employees are immediately removed from the active payroll system. In the event the employee is expected to return, the City should determine whether a procedure could be developed to deactivate the employee in the system and then re-activate the employee only upon appropriate approval (i.e. the payroll clerk should not be able to re-activate employees) only long enough to issue the applicable checks and then again deactivate them.

Current Status:

See also Management's Response to Comment 2013-09.

2012-08 Journal Entry Review Documentation

Under the City's review process for journal entries, the Accounting Supervisor prepares and post journal entries to the general ledger and files them in a binder, which he keeps in his office. The Administrative Services Director, periodically reviews the binder, approves, and signs off on the journal entries.

We selected 25 City-wide journal entries for testing and 8 Redevelopment Agency journal entries for testing compliance with the City's policies and adequate supporting documentation. We noted two journal entries were prepared by the Accounting Supervisor, but there was no documentation they had been reviewed, approved or signed by the Administrative Services Director.

We understand the Administrative Services Director only reviews, approves, and signs off the journal entries once a month or every other month and these entries may have been overlooked during that process. The Administrative Services Director should ensure that all journal entries are reviewed and approved and that evidence of that review is clearly documented.

Current Status:

See Management's Response to Comment 2013-01.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2012-09 Timely Submission of the Treasurer's Report to City Council

California Government Code Section 53646 requires that the quarterly Treasurer's Report be submitted to the City Council within 30 days following the end of the quarter covered by the report. The Quarterly Treasurer's Report for the quarter ending December 31, 2011 was submitted to the City Council on April 3, 2012, which is more than 30 days after the quarter end. The City should submit the quarterly reports within the 30 day requirement.

Current Status:

See Management's Response to Comment 2013-10.

2012-10 Investment Policy Compliance and Reporting

We reviewed the City's Investment Policy for compliance with the California Government Code requirements and we reviewed the City's Treasurer's Report for compliance with the Government Code and the Investment Policy reporting requirements and noted the following:

- Investment Policy Requires Diversification - Section 12.0 of the City's Investment Policy ***requires*** diversification "by investment type, issuer, maturity dates and broker/dealer." As of June 30, 2012, the City had only invested in the Local Agency Investment Fund. If the City intends to continue to invest only in LAIF, the City should consider revising the wording in Section 12.0 to reflect the current practice.
- Internal Controls are to be Audited Annually - Section 13.0 (Internal Controls) of the City's Investment Policy adopted on February 23, 2012 requires "the City Treasurer will maintain a system of internal controls to ensure compliance with investment procedures of the City of El Cerrito and the California Government Code and these controls will be audited annually by the City's external audit firm." We have not been notified or engaged to audit the City's system of internal controls as required by Section 13.0 of their Investment Policy. The City should either notify us to perform a review of the internal controls to ensure compliance with investment procedures or the City should remove this section from the policy.
- Reporting Must Include Type of Investment - California Code Section 53646 and the Investment Policy Section 14.0 (Reporting), the quarterly Treasurer's Report shall include the type of investment and the issuer of each investment. We noted that the June 30, 2012 Quarterly Treasurer's Report listed the City Hall Debt Fund as invested in Money Market Funds, however the name of the fund was listed as "Union Bank/US Treasuries." The name of the Fund should be updated to the Blackrock Institutional Money Market Fund. In addition, the Investment Report indicated that the Integrated Waste Management Fund was invested in a Capital One Bank money market fund with Deutsch Bank, however it was actually a cash deposit with Deutsch Bank. Investments should be reviewed in detail to ensure the quarterly Investment Report reflects the specific investments held at the end of each quarter.

Current Status:

The issues addressed in this finding will be referred to the City's Financial Advisory Board. This advisory board reviews the City's policy and recommends changes as appropriate. The items will be addressed and the policy updated to reflect the approved changes and or the actions required in the policy will be executed as necessary.

See also Management's Response to Comment 2013-10.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2012-11 Payroll Processing – Rotation of Duties

During an employee's absence, another employee should assume the duties and complete the applicable processing. We understand the payroll clerk has not taken vacation during fiscal year 2012 and has not been absent more than 1-2 days at a time. Therefore, another employee has not had the opportunity to assume the payroll duties in her absence.

In the event the payroll clerk does not take an extended vacation, another appropriate employee should assume the duties periodically (without warning).

Current Status:

The City was unable to implement this recommendation, but training and implementation will happen in the next year. Management agrees that to ensure proper internal controls that payroll processing duties should be assumed by an employee other than the payroll technician at least once a year. The Finance Department will continue its efforts to cross-train the technicians to make this possible.

2012-12 Independent Contractors and Contract Documentation

In prior years we have inquired as to whether the City had former employees working for the City under contract. We were told that the City had two former police employees working on special projects in prior years, but the use of those employees had been minimal and contracts had not been established. In fiscal year 2011 we again inquired about former employees working for the City and found that the City was still using one of the above employees and paid him a total of \$8,000 in fiscal year 2011 for performing background check services. The City continued to use employee for the same services in fiscal year 2012 and although a contract had been established, it had been signed only by the contractor and not the City, and City staff did not have a copy of the contract until we inquired about the status.

If contract maintenance is going to be decentralized, the contracts should be readily available upon request and fully executed copies should be retained in City files. The City should complete the execution of the contract with the former employee.

Current Status:

Implemented.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2012-13 Information Technology Best Practices Recommendations

We again conducted an Information Systems Review with our audit which encompassed the City's financial information system and the network environment that houses it. In addition to the issues discussed in prior year comment 2011-08, we noted a few additional areas which could be improved to conform to NIST guidelines. A summary of these additional recommendations which we believe are "best practices" follows:

Audit/Event Logging

The City does not appear to have audit logs on the financial application server, such that any change, addition or deletion of user accounts within the application are tracked and monitored. The City should have audit/event logs of any addition, deletion or change in financial application user accounts and that log should be monitored by someone without the rights to effect such changes. In addition, any administrative access such as upgrades or application modifications by IT personnel, outside consultants or vendors should also be logged and reviewed.¹

Session Locks

The City does not have session locks turned on for the financial application or the workstation operating systems. A session lock is a temporary lockout of the operating system or financial application when a user stops work and typically moves away from the immediate physical vicinity of the computer. Generally, employees may leave their workstation for lunch or break and not log off or log out of the application. This leaves the operating system or financial application open and available to any passerby. Any person with physical access would be able to perform any tasks the absent user has privileges or rights to do. At the very least workstations should be set to lock out the workstation after a period of inactivity. Best practice would be to have both the operating system and financial application have lockouts after a period of inactivity.

Current Status:

The City's financial software, New World Systems, does not have the capability to log all changes made to the application user accounts.

Session locks were implemented.

2011-04 Terminated Employee in Active Payroll Records

During our testing of eight terminated employees to ensure they were removed from the payroll system in a timely manner, we noted one employee that received his last check on November 5, 2010 was not officially terminated until January 1, 2011 and was not removed from the payroll system until February 3, 2011. Although the employee did not receive any payments subsequent to his November check, terminated employees should not remain in the active payroll records.

The City should develop procedures to ensure that subsequent to receiving their last paycheck, terminated employees are immediately removed from the payroll system.

Current Status:

See Management's Response to Comment 2013-09.

¹ For more information on Audit/Event log management see NIST SP 800-92 Guide to Computer Security Log Management.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2011-06 Uninsured and Uncollateralized Bank Account

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As we had noted in prior year comment 2010-05, the City had bank balances exposed to custodial credit risk as of June 30, 2010, because the balances in two fiscal agent accounts related to the 2002 Lease Revenue Bonds were uninsured and uncollateralized. Although those accounts were not exposed to custodial credit risk as of June 30, 2011, the City had a different account related to the Recycling Center Capital Lease that was exposed. As of June 30, 2011, \$2,957,694 of the City's bank balances of \$4,056,184 were exposed to custodial credit risk, because the balance in the Recycling Center Capital Lease fiscal agent account was uninsured and uncollateralized.

The City should consider investing the balance in an investment that is not subject to custodial credit risk and in the future new accounts established should be reviewed for custodial credit risk to the City's balances on deposit.

Current Status:

See Current Status of comment 2012-03.

2010-02 Internal Controls – Segregation of Duties

In addition to the items included in the prior year comment 2009-06, during our review of the City's internal controls for proper segregation of duties and procedures, we noted areas in which controls need to be improved and employee's access and/or duties revised. Good internal controls require that employees with access to the City's assets not have access to the City's accounting records for the same assets.

a. Super-User Status in the General Ledger System

Accounting staff should not normally be allowed to have Super-User rights in the City's general ledger system. We noted that three City employees, the Administrative Services Director, the Accounting Supervisor and the Information Services Coordinator have super-user rights to the New World System.

When accounting staff have super-user rights, there is a potential risk of restricting or allowing access to other user's abilities to access the different modules in the accounting system. In addition, unauthorized transactions could be processed without proper review and approval.

While we understand the City has a limited number of staff available to provide system administration functions, and review and approval procedures in critical accounting areas partially mitigate the conflict, the City should consider restricting super user rights to as few employees as possible.

Update for 2012 – the City had indicated that the access would be reviewed and restricted, but we did not see any change. In addition, we also noted that the Accounting Supervisor has access to the Accounts Payable module.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2010-02 Internal Controls – Segregation of Duties (Continued)

b. Preparing and Processing W-2's

The Payroll Clerk prepares the annual W-2 forms and is responsible for following up on unclaimed W-2's. Since she has access to the payroll system and the Human Resources Module, she has the ability to add an employee or change pay rates. Therefore these two functions should be segregated. The preparation of the annual W-2 forms should be closely monitored and reviewed, and any unclaimed W-2's should be followed up by a person not involved with the payroll function.

c. Accounts Receivable Billings and Collections

The Business License Clerk is involved with the collection function, can adjust the accounts receivable "database," and sometimes prepares the billings for various departments. Personnel involved with the billing function should not also be involved with the collection function, especially when they have access to adjusting the balances.

Current Status:

See Management's Response to 2013-04.

2010-04 Purchasing Policy Compliance

The City's Purchasing Policy requires the use of a purchase order for all professional services greater than \$25,000. We selected a sample of seven expenditures relating to the Sales Tax Street Improvement Project to test compliance with the City's purchasing policies and procedures, along with compliance with the Master Installment Sales Agreement. Two of the disbursements tested were related to the same professional services contract in excess of \$25,000, and although the disbursements were approved by appropriate City personnel, and the contract was approved by the City Council, the City had not used a purchase order as required by the Purchasing Policy.

The City's Purchasing Policy was last revised in August 2006. The City should perform a review of current purchasing procedures in conjunction with the Purchasing Policy and determine whether the Policy should be revised to reflect current practices, or if the Policy requirements should be enforced.

Current Status:

See current status of comment 2012-06 and Management's Response to comment 2013-08.

**CITY OF EL CERRITO
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2010-07 Capital Assets Inventory

The City should perform regular inventories of its capital assets to verify that each asset is properly recorded in the capital assets system and each asset is still in use and not impaired. We understand the City inventoried vehicles in fiscal year 2007, but has not inventoried other capital assets in a number of years. In addition, it appears that the Finance Department has not been checking with individual departments to determine whether capital assets listed as current assets by the department are still in use.

Without performing regular inventories, the City cannot evaluate the most current status of its capital assets. The City should consider performing a physical inventory of all capital assets at least every three years, and in the interim years the Finance Department should send out a capital asset listing to each department to verify the existence of each asset and whether the individual assets have been disposed of or salvaged.

Current Status:

The recommendation is under review and will be considered in accordance a cost/benefit analysis.

REQUIRED COMMUNICATIONS

To the City Council of
the City of El Cerrito
City of El Cerrito, California

We have audited the basic financial statements of the City of El Cerrito for the year ended June 30, 2013. Professional standards require that we communicate to you of the following information related to our audit under generally accepted auditing standards, *Governmental Auditing Standards* and OMB Circular A-133.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 60 - *Accounting and Financial Reporting for Service Concession Arrangements*

The objective of this proposed Statement is to establish accounting and financial reporting requirements for service concession arrangements (SCAs), which are a type of public-private or public-public partnership arrangement. SCAs include, but are not limited to:

- a. Arrangements in which the operator will design and build a facility and will obtain the right to collect fees from third parties (for example, construction of a municipal complex for the right to lease a portion of the facility to third parties)
- b. Arrangements in which the operator will provide an up-front payment or a series of payments in exchange for the right to access an existing facility (for example, a parking garage) and collect fees from third parties for its usage
- c. Arrangements in which the operator will design and build a facility (for example, a new tollway), finance the construction costs, provide the associated services, collect the associated fees, and convey the facility to the government at the end of the arrangement.

CITY OF EL CERRITO
REQUIRED COMMUNICATIONS

GASB 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

GASB 61 - *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement No. 14 and No. 34 – Component Unit Focus*

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

CITY OF EL CERRITO

REQUIRED COMMUNICATIONS

The following pronouncement became effective and required a format change in the Statements of Net Assets and Balance Sheet and certain nomenclature revisions in the footnotes accompanying the financial statements:

GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. *Concepts Statement No. 4, Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in *Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

As disclosed in Notes 1B and 1H to the financial statements, the implementation of the pronouncement required a change in the Statements of Net Assets and Balance Sheet and certain nomenclature revisions in the footnotes accompanying the financial statements.

The following pronouncement was early-implemented, and as disclosed in Note 1H to the financial statements and also affected the format and nomenclature of the financial statements:

GASB 65 - *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

CITY OF EL CERRITO
REQUIRED COMMUNICATIONS

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. However, the dissolution of the former Redevelopment Agency had a material impact to the financial statements of the City and its component units, and the State Board of Equalization's sales tax adjustment has a potential impact to the financial statements of the City:

Redevelopment Agency Dissolution

As discussed in Note 15 to the financial statements, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the El Cerrito Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective February 1, 2012. The City elected to become the Housing Successor to the Redevelopment Agency and pursuant to the laws it received the encumbered housing assets of the former Redevelopment Agency. Certain other assets were distributed to and all of the Redevelopment Agency's debts were assumed by a Successor Agency governed by an Oversight Board. This Successor Agency is reported as a private purpose trust fund. Certain transactions undertaken by the El Cerrito Redevelopment Agency prior to the date of dissolution may be subject to review by the State as discussed in Note 15, but the effect of that review cannot be determined as of June 30, 2013.

In fiscal 2011 and 2012, pursuant to a cooperation agreement and assignment and assumption agreements, the former Redevelopment Agency transferred \$12,550,552 of assets to the of El Cerrito Municipal Services Corporation, a component unit of the City. ABx1 26 and AB 1484 contain provisions that such transfers are subject to a review by the State Controller's Office. According to Health and Safety Code 34167.5, if such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the Successor Agency. As of June 30, 2013, assets totaling \$10,486,956, comprised of current assets of \$5,005,403 and capital assets of \$5,481,553, were held by the Municipal Services Corporation, but the City, Successor Agency and the Municipal Services Corporation are in litigation with the State Controller as to whether the Corporation is subject to this provision of the Health and Safety Code. The City has not received the results of the State Controller's asset transfer review. The amount of assets that may be ordered to be returned and the results of the litigation are not determinable at this time.

Prior to the Redevelopment Agency dissolution, the Agency Board approved various agreements which obligated it to repay certain advances from the Agency's Low and Moderate Income Housing Fund to make payments required by the State to the Educational Revenue Augmentation Fund (ERAF) and Supplemental ERAF from tax increment revenue received. The advance was assumed as a receivable by the City as Housing Successor, and the advance is now payable to the City's Low and Moderate Income Housing Asset Fund. Repayment of these agreements is subject to certain administrative procedures and review and approval by the California Department of Finance and/or the Oversight Board, and as a result the time frame for repayment by the Successor Agency from redevelopment property tax is not determinable at this time.

CITY OF EL CERRITO

REQUIRED COMMUNICATIONS

AB1484 requires the Successor Agency to complete two Due Diligence Reviews (DDR) to determine the amount of the remaining assets that should be transferred by the City to the Successor Agency or by the Successor Agency to the County for distribution to the affected taxing entities. The DDR for cash balances in the Low and Moderate Income Housing Fund indicated that there were no balances available for distribution to the affected taxing entities. In April 2013, the State Department of Finance (DOF) completed its review of this DDR and concurred with its findings. In June 2013, the DOF completed its review of the DDR of all other funds of the former Redevelopment Agency. The DDR indicated there were no assets available for allocation to the affected taxing entities, but that amount was adjusted by the DOF to \$1,981,989. In addition, the DOF demanded the City reverse \$10,168,319 of property conveyances executed in fiscal year 2012 and a payment of \$400,243 of bond proceeds to the Municipal Services Corporation. The City, Successor Agency and Municipal Services Corporation are disputing the adjustment and demand in litigation against the DOF.

Also as discussed in Note 14, prior to its dissolution, the Redevelopment Agency obligated certain Redevelopment funds pursuant to a cooperation agreement with the City that was partially assigned to the Municipal Services Corporation. Subsequent to dissolution, the cooperation agreement was rejected by the DOF. The Successor Agency and DOF have met and conferred to settle the matter and the Department determined that it is not an enforceable obligation of the Successor Agency at this time. Management continues to believe the transactions are valid and the City, Successor Agency and Municipal Services Corporation have included this matter in the litigation against DOF.

Prior to the Redevelopment Agency dissolution, the Agency board approved various agreements which obligated it to repay certain advances to the Agency's Low and Moderate Income Housing Fund. The advance was assumed by the City as Housing Successor, and the advance is now payable to the City's Low and Moderate Income Housing Asset Fund. Repayment of these agreements is subject to certain administrative procedures and review and approval by the California Department of Finance and/ or the Oversight Board, and as a result the amount disallowed is not determinable at this time.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the financial statements.

State Board of Equalization Sales Tax Adjustment

As discussed in Note 13B to the financial statements, in October 2013, the State Board of Equalization (BOE) found that the City's historical sales tax revenues had been misallocated by \$2,499,975 and would withhold that amount from the December 2013 remittance. The City has requested documentation from the BOE to support its calculation and obtained an extension to April 30, 2014 for the opportunity to appeal the decision while management reviews BOE's methodology and calculations. The BOE did not withhold the amount from the December remittance, pending the City's review and potential appeal. Therefore, the demand is not recorded in the financial statements.

CITY OF EL CERRITO

REQUIRED COMMUNICATIONS

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are:

Estimated Fair Value of Investments: As of June 30, 2013, the City held approximately \$6.9 million of cash and investments as measured by fair value as disclosed in Note 3 to the Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2013. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2013.

Estimated Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 6 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Compensated Absences: Accrued compensated absences, which are comprised of accrued vacation and sick leave, is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year, and are disclosed in Note 1I to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Obligation: Management's estimate of the net OPEB obligation is disclosed in Note 10C to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the Redevelopment Agency dissolution and former Redevelopment Agency funds held by the Municipal Services Corporation in Note 15 to the financial statements and the State Board of Equalization's sales tax adjustment disclosed in Note 13B to the financial statements. See discussion under *Unusual Transactions, Controversial or Emerging Areas* above regarding the unsettled law and highly contingent nature of these matters.

The financial statement disclosures are neutral, consistent, and clear.

CITY OF EL CERRITO
REQUIRED COMMUNICATIONS

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected certain such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, except for the adjustments to General Fund cash balances discussed in item 2013-03 of the Memorandum on Internal Control.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 31, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CITY OF EL CERRITO
REQUIRED COMMUNICATIONS

Other Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to the required supplementary information accompanying the financial statements, applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Introductory and Statistical Sections included as part of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we did not express an opinion nor provide any assurance on them.

This information is intended solely for the use of the City Council, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maye & Associates

Pleasant Hill, CA
December 31, 2013



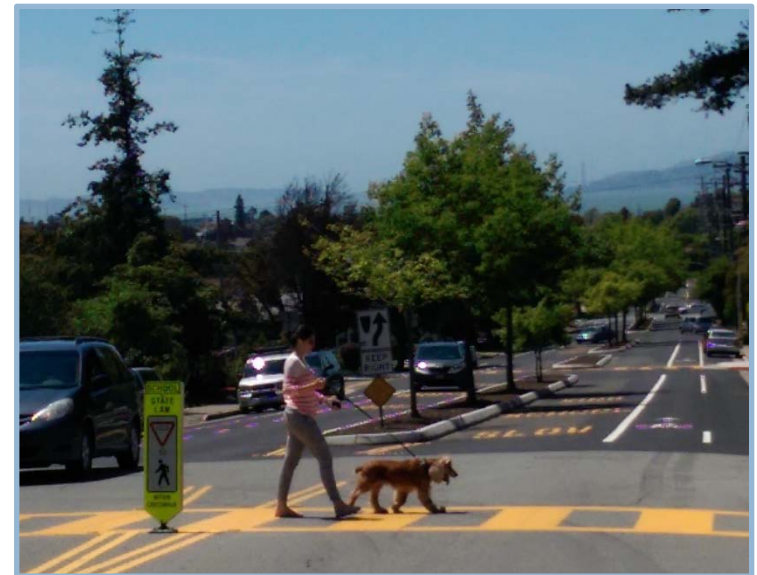
CITY OF EL CERRITO CAPITAL IMPROVEMENT PROGRAM CITY COUNCIL STUDY SESSION

May 6, 2014



Purpose of Study Session

- Overview of Capital Improvement Program (CIP)
- Status of Current 10-Year CIP
- Potential Additions to Future CIP
- Discussion and Next Steps



Overview of CIP

- Purpose of Program
- Project Selection
- Funding Categories
- Guiding Principles

Purpose of CIP

- Multi-year plan for maintaining and enhancing the capital assets of the City to ensure they meet service needs
- Capital assets are divided into several types
 - ▣ Administration (General)
 - ▣ Facilities (Civic Buildings)
 - ▣ Parks (Fields and Clubhouses)
 - ▣ Creeks and Trails
 - ▣ Streets-Transportation
 - ▣ Storm Drain



Project Selection

- General Plan Strategies, Goals and Policies
- Adopted Citywide Plans
 - ▣ ADA Transition Plan, Circulation Plan for Bicyclists and Pedestrians, Ohlone Greenway Master Plan, Climate Action Plan, Strategic Plan
- Health and Safety Needs
 - ▣ Regulatory Mandates, Needs Assessments and Technical Studies
 - ▣ Structural Facilities Management Plan , Fire Flow Study, Traffic Safety Audit, Citywide Pedestrian Safety Assessment
- Other Council, Commission/Committee and Community Initiatives & Priorities
 - ▣ Various Plans, Public Forums and Surveys
 - ▣ Economic Development Plan, Library, Measure A, Measure WW , WCCTAC Transit Enhancement Plan
- Funding Opportunities

Funding Categories

Secure Sources

□ Current Fiscal Year

- ▣ Measure A, Street Improv (211)
- ▣ Measure A, Swim Center (206)
- ▣ Measure C/J, County Transportation Sales Tax, Return to Source (204)

□ Past and Potential Future

- ▣ Gas Tax (201)
- ▣ Measure J, Storm Drain (205)
- ▣ Park-In-Lieu (210)
- ▣ General Fund (101)
- ▣ Redevelopment-Past Only

Other Sources (Grants)

□ Current Fiscal Year

- ▣ Transportation Enhancement, Federal
- ▣ Transportation for Livable Communities, Federal & Measure J
- ▣ Urban Greening, State
- ▣ Highway Safety Improvement Program, Federal

□ Past and Potential Grants

- ▣ Various Transportation
- ▣ Community Development Block
- ▣ Sustainable Communities

□ Unidentified Sources

Guiding Principles/Strategic Plan Framework

- **Goal A: Delivery exemplary government services**
 - ▣ Partner with other agencies (BART, Neighboring Cities, Contra Costa Health)
 - ▣ Outreach to community and incorporate public input
- **Goal B: Achieve long-term financial sustainability**
 - ▣ Leverage secure funding with other funding sources
 - ▣ Regularly pursue regional, state and federal grants
 - ▣ Coordinate with other City departments to evaluate whether or when to pursue a new funding opportunity

Guiding Principles/Strategic Plan Framework

- Goal C: Deepen a sense of place and community identity
 - ▣ Promote strong neighborhoods & develop recreational opportunities
 - ▣ 5 funded projects (largely funded by competitive grants)
- Goal D: Develop & rehabilitate public facilities as community focal points
 - ▣ Develop a framework to address a backlog of needed repairs/improvements to aging facilities
 - ▣ No funded projects other than minor Measure A – Swim Center efforts

Guiding Principles/Strategic Plan Framework

- Goal E: Ensure the public's health & safety
 - ▣ Coordinate with other City Departments (most recently Police)
 - ▣ 6 transportation-related safety projects (largely funded by competitive grants)
- Goal F: Foster environmental sustainability citywide
 - ▣ Encourage pedestrian, bicycle and transit travel
 - ▣ Make municipal operations more resource efficient & environmentally friendly
 - ▣ 8 funded project, 7 of which overlap with Goals C and E

Status of Current 10-Year CIP

- 10-Year Program Summary
- Fiscal Year 2013/14 Project Highlights
- Previously Planned Projects in Next Two Years
- Other Unfunded Projects

Summary of Current 10-Year CIP

- 40+ Projects
- \$19 million between FY 2013/14 and 2022/23, secure funding sources
- \$7 million unfunded, had assumed some potential General Fund Support or Grants in next few years for
 - ▣ Energy & Water Efficiency (General Fund/Grants)
 - ▣ General Plan Update (General Fund/Grants)
 - ▣ Access Modifications-Facilities (General Fund)
 - ▣ Facilities Structural/Seismic Repairs (General Fund)
 - ▣ Fairmount Ave Urban Greening (Grants)
 - ▣ Access Improvements-Streets (General Fund/Grants)
 - ▣ Traffic Safety & Management (Measure A/Grants)
 - ▣ Safe Routes to School Program (Grants)
- \$110 million beyond 2022/23, no identified funding source or timeline

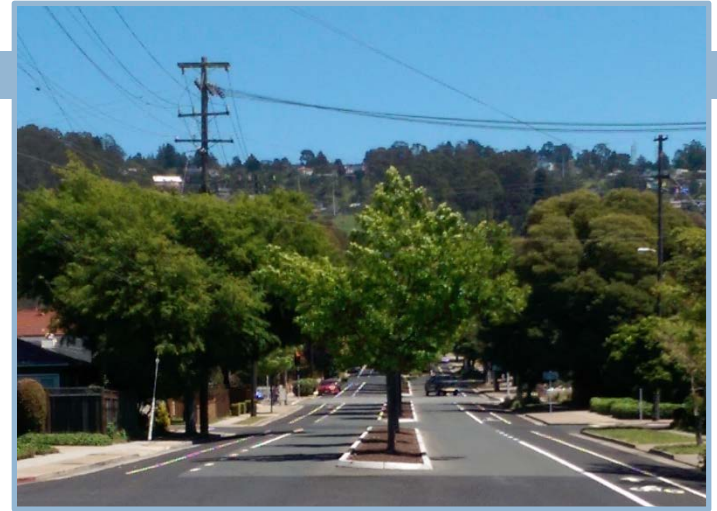
Current FY 2013/14 CIP

- 17 Active Projects (planning, design & construction)
 - ▣ 2 Admin (Energy Efficiency, RecWare Update)
 - ▣ 2 Facilities (Solar, Swim Center)
 - ▣ 1 Park (Huber Park Improvements)
 - ▣ 2 Trail (Ohlone Greenway)
 - ▣ 10 Streets-Transportation
- Adopted Budget Revenues – \$5.3M
 - ▣ Outside Grants – \$4 Million
 - ▣ Measure A (Streets) – \$1.1 Million
 - ▣ Measure A (Swim Center) – \$0.2 Million
 - ▣ Measure C/J (County Transp Sales Tax) – <\$0.1 Million

FY 2013/14 Project Highlights

Construction Complete

- Potrero btwn E. 55th & E. 56th Safety Improvements (Highway Safety Improvement, Prop 1B) – Completed Early Summer 2013
- Moeser-Ashbury Pedestrian & Bicycle Corridor Improvements (Transportation Enhancement) – Completed Winter 2013
- Citywide Solar – Spring 2014



FY 2013-14 Project Highlights

Construction Underway - Anticipated Complete Spring-Summer 2014

- Central & Liberty Streetscape (Transportation for Livable Communities)
- 2013/2014 Street Improvement (Measure A, State-Local Partnership)
- Ohlone Greenway Major Crossing Improvements (Highway Safety Improvement, Measure C/J)
- Ohlone Greenway Rain Garden & Natural Area (Urban Greening Prop 84)



FY 2013/14 Project Highlights

Design – Anticipated Completion Summer-Fall 2014

- Pavement Rehabilitation Project (Measure A, One Bay Area Grant)
- Traffic Safety & Management Program, Speed Radar Feedback Signs (Measure A)
- Access Modifications/Curb Ramps (Measure C/J)
- Ohlone Greenway-Safeway Path Connection (Park In-Lieu)

Planning/Concept Design

- Huber Park Improvements (Measure WW)
- Arlington & Brewster-South (Highway Safety Improvement, Measure A)
- Ohlone Greenway-BART Station Area Improvements (One Bay Area Grant, Measure J-BART Access, Park In-Lieu)

Previously Planned FY 2014/15 & 2015/16 - Additional Projects

- Secure Funding
 - ▣ Ohlone Greenway Wayfinding (Transportation Livable Communities)
 - ▣ Annual Street Improvement Program (Measure A)
 - ▣ Storm Drain Major Repairs & Minor Improvements (Measure J-Storm Drain)
- Funding Non-Secure/Unidentified
 - ▣ General Plan Update (Grant application submitted)
 - ▣ Facilities Structural/Seismic Repairs
 - ▣ Fairmount Avenue Urban Greening

Other Unfunded Projects in 10-Year CIP

- Administration/Facilities
 - ▣ Fire Flow Upgrades (\$4 Million)
 - ▣ Access Modifications-Facilities (\$3 Million)
 - ▣ Library (\$19 Million)
 - ▣ Senior Center (\$11 Million)
 - ▣ Public Safety Building (\$27 Million)
 - ▣ Corporation Yard Improvements (\$5 Million)
- Various Park Projects - Must be updated pending
 - ▣ Park & Recreation Commission Input
 - ▣ Completion and Adoption of Urban Greening Plan
 - ▣ Updated Needs Assessment/Master Plan
- Creeks & Trails - Ohlone Greenway Master Plan Implementation
- Street-Transportation
 - ▣ Del Norte Transit-Oriented Development, Infrastructure Improvements (\$25 Million)
 - ▣ Balra Retaining Wall Replacement
 - ▣ Wildcat Drive Repair
 - ▣ Citywide Signage Program
 - ▣ Traffic Safety & Management Program
 - ▣ Priority Development Area Streetscape Improvements Program
 - ▣ Safe Routes to School Program

Proposed 2014-2024 CIP

Potential CIP Additions – “Wish List”

- Non-Secure/Unidentified funding at this time
- Previously Adopted Plans & Current Community Initiatives
 - ▣ Hillside Natural Area Improvements (Trails and Landscaping)
 - ▣ Citywide Path/Stairway/Boardwalk Rehabilitation & Improvement
 - ▣ Urban Forest Management Plan Improvements
- Strategic Plan Goal D: Develop & rehabilitate public facilities as community focal points
 - ▣ Canyon Trail Clubhouse Improvements – Measure A, Swim Center
 - ▣ Park Facilities Rehabilitation & Improvements (Building, Fields, Pathways, Landscaping and Lighting) – Update Needs Assessment
 - ▣ Creek Major Maintenance & Restoration (Huber, Fluvious, Cerrito Creek-North Fork)

Potential CIP Additions

- Other priority and long-term projects as identified in planning efforts, with adoption of those plans including
 - ▣ San Pablo Avenue Complete Streets Plan Improvements
 - ▣ Active Transportation Plan Improvements
 - ▣ Urban Greening Plan Improvements

Discussion/Next Steps

Discussion & Next Steps

- Council questions, comments and possible direction
- Work with other Departments to update current CIP Projects and develop any new CIP Projects
- Obtain input from Park & Recreation Commission on Park Projects
- Incorporate comments, updates and new projects into Proposed Budget to be presented on Monday, June 2nd.