



**BETTY T. YEE**  
California State Controller

September 5, 2017

Hue Quach, Administrative Services Director  
Administrative Services Department  
City of Arcadia  
240 West Huntington Drive  
Arcadia, CA 91007

Dear Mr. Quach:

The State Controller's Office (SCO) performed a desk review of costs claimed by the City of Arcadia for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program (Los Angeles Regional Water Quality Control Board, Order No. 01-182, Permit CAS004001, Part 4F5c3) for the period of July 1, 2002, through June 30, 2009. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to verifying the funding source used to pay for the mandated activities.

The city claimed \$349,403 for the mandated program. Our review found that none of the costs claimed are allowable because the city did not offset the restricted revenues used to fund the mandated activities, as described in the attached Summary of Program Costs and Review Results. The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter within 30 days from the issuance date of this report.

We informed you of the finding via email on August 11, 2017. We did not receive a response from the city.

This final letter report contains an adjustment to costs claimed by the city. If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at [www.csm.ca.gov/forms/IRCFForm.pdf](http://www.csm.ca.gov/forms/IRCFForm.pdf).

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/as

Attachments

RE: S17-MCC-9007

cc: Chris Hill, Principal Program Budget Analyst  
Local Government Unit, California Department of Finance  
Steven Pavlov, Finance Budget Analyst  
Local Government Unit, California Department of Finance  
Anita Dagan, Manager  
Local Government Programs and Services Division  
State Controller's Office

**Attachment 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Annual number of trash collections <sup>2</sup>	× 8,320	× 8,320	× -
Total ongoing costs	56,077	56,077	-
Less offsetting revenues and reimbursements	-	(56,077)	(56,077)
Total program costs	<u>\$ 56,077</u>	-	<u>\$ (56,077)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Annual number of trash collections <sup>2</sup>	× 8,320	× 8,320	× -
Total ongoing costs	56,077	56,077	-
Less offsetting revenues and reimbursements	-	(56,077)	(56,077)
Total program costs	<u>\$ 56,077</u>	-	<u>\$ (56,077)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Annual number of trash collections <sup>2</sup>	× 8,320	× 8,320	× -
Total ongoing costs	56,077	56,077	-
Less offsetting revenues and reimbursements	-	(56,077)	(56,077)
Total program costs	<u>\$ 56,077</u>	-	<u>\$ (56,077)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Annual number of trash collections <sup>2</sup>	× 8,320	× 8,320	× -
Total ongoing costs	56,077	56,077	-
Less offsetting revenues and reimbursements	-	(56,077)	(56,077)
Total program costs	<u>\$ 56,077</u>	-	<u>\$ (56,077)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Annual number of trash collections <sup>2</sup>	× 8,320	× 8,320	× -
Total ongoing costs	56,077	56,077	-
Less offsetting revenues and reimbursements	-	(56,077)	(56,077)
Total program costs	<u>\$ 56,077</u>	-	<u>\$ (56,077)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Annual number of trash collections <sup>2</sup>	× 8,320	× 8,320	× -
Total ongoing costs	56,077	56,077	-
Less offsetting revenues and reimbursements	-	(56,077)	(56,077)
Total program costs	<u>\$ 56,077</u>	-	<u>\$ (56,077)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Annual number of trash collections <sup>2</sup>	× 1,920	× 1,920	× -
Total ongoing costs	12,941	12,941	-
Less offsetting revenues and reimbursements	-	(12,941)	(12,941)
Total program costs	<u>\$ 12,941</u>	-	<u>\$ (12,941)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2002, through June 30, 2009</u>			
Total ongoing costs	\$ 349,403	\$ 349,403	\$ -
Less offsetting revenues and reimbursements	<u>-</u>	<u>(349,403)</u>	<u>(349,403)</u>
Total program costs	<u>\$ 349,403</u>	-	<u>\$ (349,403)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

<sup>1</sup> See Attachment 2, Review Results.

<sup>2</sup> The annual number of trash collections is the number of transit stop trash receptacles located within the city multiplied by the number of pick up events for each receptacle.

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## Attachment 2— Review Results July 1, 2002, through June 30, 2009

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**BACKGROUND—**

The California Regional Water Quality Control Board, Los Angeles Region (Board), adopted a 2001 storm water permit (Permit CAS004001) that requires local jurisdictions to:

Place trash receptacles at all transit stops within its jurisdiction that have shelters no later than August 1, 2002, and at all other transit stops within its jurisdiction no later than February 3, 2003. All trash receptacles shall be maintained as necessary.

On July 31, 2009, the Commission on State Mandates (Commission) determined that Part 4F5c3 of the permit imposes a state mandate reimbursable under Government Code (GC) section 17561 and adopted the Statement of Decision. The Commission further clarified that each local agency subject to the permit and not subject to a trash total maximum daily load is entitled to reimbursement.

The Commission also determined that the period of reimbursement for the mandated activities begins July 1, 2002, and continues until a new National Pollutant Discharge Elimination System (NPDES) permit issued by the Board is adopted. On November 8, 2012, the Board adopted a new NPDES permit, Order No. R4-2012-0175, which became effective on December 28, 2012.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on March 24, 2011. In compliance with GC section 17558, the State Controller's Office issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program

**FINDING—  
Unreported offsetting  
revenues and  
reimbursements**

The city did not offset any revenues or reimbursements on its claim forms for the review period. We found that the city should have offset \$349,403 in Proposition A funds used to pay for the ongoing maintenance of transit stop trash receptacles during the review period.

In reviewing the city's Operating Budgets and through discussions with the city, we confirmed that the city operates a Transit Fund for the operation of Arcadia Transit, which was fully funded by restricted funding sources, such as Proposition A Local Return Funds. The city provided payroll reports for the employees performing the transit trash receptacle maintenance. The payroll report shows that their salaries were posted to the Proposition A division of the Transit Fund.

Proposition A is a half-cent sales tax measure approved by Los Angeles County voters in 1980 to finance transit programs. Twenty-five percent of the Proposition A tax is designated for the Local Return Program to be used by cities in developing and/or improving public transit and related

transportation infrastructure. Local Return funds are distributed monthly to cities based on a per capita basis.

The Proposition A Local Return Guidelines, section II. Project Eligibility, identify reimbursement for ongoing trash receptacle maintenance as follows:

2. BUS STOP IMPROVEMENTS AND MAINTENANCE (Codes 150, 160, & 170)

Examples of eligible Bus Stop Improvement and Maintenance projects include installation/replacement and/or maintenance of:

- Concrete landings – in street for buses and at sidewalk for passengers
- Bus turn-outs
- Benches
- Shelters
- Trash Receptacles
- Curb cuts
- Concrete or electrical work directly associated with the above items

Based on the information provided, we found that the city did not have to rely on the use of discretionary general funds to pay for the mandated activities.

Section VIII of the parameters and guidelines (Offsetting Revenues and Reimbursements) states, “Reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.”

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012.