



BETTY T. YEE
California State Controller

October 25, 2016

Tae Rhee, Finance Director/Treasurer
Finance Department
City of Bellflower
16600 Civic Center Drive
Bellflower, CA 90706

Dear Mr. Rhee:

The State Controller's Office performed a desk review of costs claimed by the City of Bellflower 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, 2010. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to verifying the funding sources used to pay for the mandated activities.

The city claimed \$533,742 for the mandated program. Our review found that \$3,421 is allowable and \$530,321 is unallowable. The costs are unallowable because the city did not offset the restricted revenues used to fund the mandated activities, as described in the attached Summary Program Costs and the Review Results. The State made no payments to the city. The State will pay \$3,421, contingent upon available appropriations.

We informed Bernardo Iniguez, Public Works Manager, of the review finding via email on September 21, 2016. 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

Attachments

RE: S17-MCC-9003

cc: Bernardo Iniguez, Public Works Manager
Public Works Department, City of Bellflower
Mary Halterman, Principal Program Budget Analyst
Local Government Unit, California Department of Finance
Danielle Brandon, Staff Finance Budget Analyst
Local Government Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2002, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
One-time activities:			
Purchase, construction, and installation of receptacles and pads	\$ 3,421	\$ 3,421	\$ -
Total one-time costs	3,421	3,421	-
Ongoing activities:			
Reasonable reimbursement methodology factor	6.74	6.74	-
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,241	66,241	-
Total one-time costs and ongoing costs	69,662	69,662	-
Less offsetting revenues and reimbursements	-	(66,241)	(66,241)
Total program costs	<u>\$ 69,662</u>	3,421	<u>\$ (66,241)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,421</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,241	66,241	-
Less offsetting revenues and reimbursements	-	(66,241)	(66,241)
Total program costs	<u>\$ 66,241</u>	-	<u>\$ (66,241)</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:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,241	66,241	-
Less offsetting revenues and reimbursements	-	(66,241)	(66,241)
Total program costs	<u>\$ 66,241</u>	-	<u>\$ (66,241)</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 ¹
<u>July 1, 2005, through June 30, 2006</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,241	66,241	-
Less offsetting revenues and reimbursements	-	(66,241)	(66,241)
Total program costs	<u>\$ 66,241</u>	-	<u>\$ (66,241)</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:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,241	66,241	-
Less offsetting revenues and reimbursements	-	(66,241)	(66,241)
Total program costs	<u>\$ 66,241</u>	-	<u>\$ (66,241)</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:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,241	66,241	-
Less offsetting revenues and reimbursements	-	(66,241)	(66,241)
Total program costs	<u>\$ 66,241</u>	-	<u>\$ (66,241)</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:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,241	66,241	-
Less offsetting revenues and reimbursements	-	(66,241)	(66,241)
Total program costs	<u>\$ 66,241</u>	-	<u>\$ (66,241)</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 ¹
<u>July 1, 2009, through June 30, 2010</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.78	\$ 6.78	\$ -
Number of transit receptacles	× 189	× 189	× -
Annual number of trash pickups	× 52	× 52	× -
Total ongoing costs	66,634	66,634	-
Less offsetting revenues and reimbursements	-	(66,634)	(66,634)
Total program costs	<u>\$ 66,634</u>	-	<u>\$ (66,634)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>Summary: July 1, 2002, through June 30, 2010</u>			
One-time costs	\$ 3,421	\$ 3,421	\$ -
Ongoing costs	530,321	530,321	-
Total one-time costs and ongoing costs	533,742	533,742	-
Less offsetting revenues and reimbursements	-	(530,321)	(530,321)
Total program costs	<u>\$ 533,742</u>	3,421	<u>\$ (530,321)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,421</u>	

¹ See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2002, through June 30, 2010

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 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 Government Code section 17558, the State Controller's Office issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

**FINDING—
Unreported offsetting
revenues**

The city did not offset any revenues on its claim forms for the review period. We found that the city should have offset \$530,321 in Proposition C funding used to pay for the ongoing maintenance of transit stop trash receptacles during the review period.

The ongoing maintenance costs are recorded in Fund 135 – Proposition C, a special revenue fund type. Special revenue funds are used to account for the proceeds a specific revenue sources that are legally restricted to expenditures for specified purposes.

Proposition C is half-cent sales tax measure approved by Los Angeles County voters in 1980 to finance transit programs. Twenty percent of the Proposition C tax is designated for the Local Return Program to be used by cities in developing and/or improving public transit and the related transportation infrastructure. Local return funds are distributed monthly to cities based on a "per capita" basis.

The Proposition C 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

We confirmed that there were no general fund transfers into the Proposition C Fund during the review period. Therefore, as the city used Proposition C funds authorized to be used on the mandated activities, it did not have to rely on the use of discretionary general funds to pay for the mandated activities.

The parameters and guidelines, section VIII. Offsetting Revenues and Reimbursements, state:

Any offsetting revenue the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, 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, with the adoption of a new permit.