



BETTY T. YEE
California State Controller

October 20, 2017

Will Kaholokula, Director of Finance and
Administrative Services
City of Bell Gardens
7100 Garfield Avenue
Bell Gardens, CA 90201

Dear Mr. Kaholokula:

The State Controller's Office (SCO) performed a desk review of costs claimed by the City of Bell Gardens 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, 2008. We conducted our review under the authority of Government Code (GC) sections 12410, 17558.5, and 17561. Our review was limited to reviewing both the one-time costs claimed and the city's contract with its waste hauler.

The city claimed \$328,569 for the mandated program. Our review found that the entire amount claimed is unallowable because the city claimed ineligible one-time costs, claimed reimbursement for costs not incurred, and did not offset the restricted revenues used to fund the mandated activities, as described in the attached Summary of Program Costs and the 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 to reduce claimed costs to zero within 30 days from the issuance date of this report.

We informed you of the review findings via email on August 9, 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 findings, 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

Attachments

RE: S17-MCC-9009

cc: Chau Vu, Director of Public Works
City of Bell Gardens
Rimo Hanson, Accounting Manager
City of Bell Gardens
Veronica Sanchez, Administrative Specialist
City of Bell Gardens
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, 2008

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
One-time activities:				
Materials and supplies	\$ 17,423	\$ 7,599	\$ (9,824)	
Total one-time costs	<u>17,423</u>	<u>7,599</u>	<u>(9,824)</u>	Finding 1
Ongoing activities:				
Unit cost rate	6.74	6.74	(6.74)	
Number of transit receptacles	× 46	× -	× (46)	
Annual number of trash collections	× 156	× -	× (156)	
Total ongoing costs	<u>48,366</u>	<u>-</u>	<u>(48,366)</u>	Finding 2
Total one-time and ongoing costs	65,789	7,599	(58,190)	
Less offsetting revenues and reimbursements	<u>-</u>	<u>(7,599)</u>	<u>(7,599)</u>	Finding 3
Total program costs	<u>\$ 65,789</u>	<u>-</u>	<u>\$ (65,789)</u>	
Less amount paid by the State		<u>-</u>		
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	\$ (6.74)	
Number of transit receptacles	× 46	× -	× (46)	
Annual number of trash collections	× 156	× -	× (156)	
Total program costs	<u>\$ 48,366</u>	<u>-</u>	<u>\$ (48,366)</u>	Finding 2
Less amount paid by the State		<u>-</u>		
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	\$ (6.74)	
Number of transit receptacles	× 46	× -	× (46)	
Annual number of trash collections	× 156	× -	× (156)	
Total program costs	<u>\$ 48,366</u>	<u>-</u>	<u>\$ (48,366)</u>	Finding 2
Less amount paid by the State		<u>-</u>		
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	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
One-time activities:				
Materials and supplies	\$ 1,037	\$ 424	\$ (613)	
Total one-time costs	<u>1,037</u>	<u>424</u>	<u>(613)</u>	Finding 1
Ongoing activities:				
Unit cost rate	6.74	6.74	(6.74)	
Number of transit receptacles	× 51	× -	× (51)	
Annual number of trash collections	× 156	× -	× (156)	
Total ongoing costs	<u>53,623</u>	<u>-</u>	<u>(53,623)</u>	Finding 2
Total one-time and ongoing costs	54,660	424	(54,236)	
Less offsetting revenues and reimbursements	<u>-</u>	<u>(424)</u>	<u>(424)</u>	Finding 3
Total program costs	<u>\$ 54,660</u>	<u>-</u>	<u>\$ (54,660)</u>	
Less amount paid by the State		<u>-</u>		
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)	
Number of transit receptacles	× 51	× -	× (51)	
Annual number of trash collections	× 156	× -	× (156)	
Total ongoing costs	<u>53,623</u>	<u>-</u>	<u>(53,623)</u>	Finding 2
Total program costs	<u>\$ 53,623</u>	<u>-</u>	<u>\$ (53,623)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		
<u>July 1, 2007, through June 30, 2008</u>				
One-time activities:				
Materials and supplies	\$ 3,090	\$ 3,090	\$ -	
Total one-time costs	<u>3,090</u>	<u>3,090</u>	<u>-</u>	
Ongoing activities:				
Unit cost rate	6.74	6.74	(6.74)	
Number of transit receptacles	× 52	× -	× (52)	
Annual number of trash collections	× 156	× -	× (156)	
Total ongoing costs	<u>54,675</u>	<u>-</u>	<u>(54,675)</u>	Finding 2
Total one-time and ongoing costs	57,765	3,090	(54,675)	
Less offsetting revenues and reimbursements	<u>-</u>	<u>(3,090)</u>	<u>(3,090)</u>	Finding 3
Total program costs	<u>\$ 57,765</u>	<u>-</u>	<u>\$ (57,765)</u>	
Less amount paid by the State		<u>-</u>		
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	Reference ¹
<u>Summary: July 1, 2002, through June 30, 2008</u>				
One-time activities	\$ 21,550	\$ 11,113	\$ (10,437)	Finding 1
Ongoing activities	+ 307,019	+ -	+ (307,019)	Finding 2
Total program costs	328,569	11,113	(317,456)	
Less offsetting revenues and reimbursements	-	(11,113)	(11,113)	Finding 3
Total program costs	<u>\$ 328,569</u>	-	<u>\$ (328,569)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		

¹ See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2002, through June 30, 2008

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 determined that Part 4F5c3 of the permit imposes a state mandate reimbursable under 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 SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

FINDING 1— Ineligible one-time costs

The city claimed \$21,550 for one-time activities related to the purchase and installation of transit stop receptacles. We found that \$11,113 is allowable and \$10,437 is unallowable. The costs are unallowable because the city claimed reimbursement for the purchase of recycling containers and replacement lids.

The following table summarizes the adjustment amounts by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
2002-03	\$ 17,423	\$ 7,599	\$ (9,824)
2005-06	1,037	424	(613)
2007-08	3,090	3,090	-
Total	<u>\$ 21,550</u>	<u>\$ 11,113</u>	<u>\$ (10,437)</u>

For fiscal year (FY) 2002-03, the city claimed \$9,824 for the purchase of 21 recycling containers. We found that all costs claimed are unallowable because reimbursement is limited to the purchase of one trash receptacle per transit stop.

For FY 2005-06, the city claimed \$613 for the purchase of replacement lids for its transit stop trash receptacles. We found that all costs claimed are unallowable because reimbursement for one-time activities is limited to one-time per transit stop. The cost to replace damaged and/or missing receptacle lids is reimbursable through the Commission-adopted reasonable reimbursement methodology.

Section IV. (Reimbursable Activities) of the parameters and guidelines limits reimbursement for one-time costs to the following:

- A. Install Trash Receptacles (one-time per transit stop, reimbursed using actual costs):
 1. Identify locations of all transit stops within the jurisdiction required to have a trash receptacle pursuant to the Permit.
 2. Select receptacle and pad type, evaluate proper placement of receptacle and prepare specifications and drawings.
 3. Prepare contracts, conduct specification review process, advertise bids, and review and award bids.
 4. Purchase or construct receptacles and pads and install receptacles and pads
 5. Move (including replacement if required) receptacles and pads to reflect changes in transit stops, including costs of removal and restoration of property at former receptacle location and installation at new location.

Recommendation

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

**FINDING 2—
Costs not incurred**

The city claimed \$307,019 in ongoing costs for the maintenance of the transit stop trash receptacles. We found that the entire amount is unallowable because the city claimed reimbursement for costs it did not incur.

The following table summarizes the review adjustment amounts by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Review Adjustment</u>
2002-03	\$ 48,366	\$ -	\$ (48,366)
2003-04	48,366	-	(48,366)
2004-05	48,366	-	(48,366)
2005-06	53,623	-	(53,623)
2006-07	53,623	-	(53,623)
2007-08	54,675	-	(54,675)
Total	<u>\$ 307,019</u>	<u>\$ -</u>	<u>\$ (307,019)</u>

On May 1, 2002 the City of Bell Gardens entered into agreement with Norcal Waste Services, Inc. (Contractor), for the collection, processing, and disposal of solid waste and recyclables. The contract agreement term was for seven years ending on December 31, 2008.

Section 3.3.8 (City Facilities) of the agreement states:

- (a) Contractor shall provide automated Collection of Solid Waste and Recyclable Materials from all City Facilities, including Public Curbside Solid Waste Containers, as provided for in this Section...
- (b) All services provided pursuant to this Section shall be provided at Contractor’s expense, with no charge to the City...

Based on these agreement provisions, the city did not incur any increased costs for the Municipal Storm Water and Urban Runoff Discharges Program for the review period.

Section IV. (Reimbursable Activities) of the parameters and guidelines states:

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Recommendations

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

**FINDING 3—
Unreported offsetting
revenues and
reimbursements**

The city did not offset any revenues or reimbursements on its claim forms. We found that the city should have offset \$11,113 in restricted Proposition A Local Return funds that were used to pay for the one-time costs claimed.

The following table summarizes the adjustment amounts by fiscal year:

Fiscal Year	Offsetting Revenues and Reimbursements Reported	Unreported Offsetting Revenues and Reimbursements	Review Adjustment
2002-03	\$ -	\$ (7,599)	\$ (7,599)
2005-06	-	(424)	(424)
2007-08	-	(3,090)	(3,090)
Total	\$ -	\$ (11,113)	\$ (11,113)

As stated in Finding 1, we found that \$11,113 in one-time costs claimed for the purchase of transit trash receptacles is allowable. However, our review of the city’s Expenditure Detail Report shows that the city paid for these costs within its Proposition A Sales Tax Fund (Fund No. 280).

The Proposition A sales tax measure was approved by voters in November 1980. Twenty-five percent (25%) of the Proposition A sales tax is dedicated to the Local Return Program to be used exclusively to benefit public transit. 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

As the city used Proposition A Local Return funds authorized to be used on the mandated activities, it did not have to rely on the use of discretionary funds to pay for the mandated activities.

Section VIII. (Offsetting Revenues and Reimbursements) of the parameters and guidelines states:

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 for 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.