



BETTY T. YEE
California State Controller

October 20, 2017

Adam Pirrie, Finance Director/Treasurer
City of Claremont
207 Harvard Avenue
Claremont, CA 91711

Dear Mr. Pirrie:

The State Controller's Office (SCO) performed a desk review of costs claimed by the City of Claremont 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, 2012. We conducted our review under the authority of Government Code (GC) 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 \$170,182 for the mandated program. Our review found that \$3,837 is allowable and \$166,345 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 of Program Costs and Review Results section. 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 resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

We informed you of the review finding via email on August 25, 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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.

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/rg

Attachments

RE: S18-MCC-9000

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, 2012

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,473	16,473	-
Less offsetting revenues and reimbursements	-	(16,473)	(16,473)
Total program costs	<u>\$ 16,473</u>	-	<u>\$ (16,473)</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>			
One-time activities:			
Materials and supplies	\$ 3,837	\$ 3,837	\$ -
Total one-time costs	3,837	3,837	-
Ongoing activities:			
Unit cost rate	6.74	6.74	-
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,472	16,472	-
Total one-time costs and ongoing costs	20,309	20,309	-
Less offsetting revenues and reimbursements	-	(16,472)	(16,472)
Total program costs	<u>\$ 20,309</u>	3,837	<u>\$ (16,472)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,837</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,473	16,473	-
Less offsetting revenues and reimbursements	-	(16,473)	(16,473)
Total program costs	<u>\$ 16,473</u>	-	<u>\$ (16,473)</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:			
Unit cost rate	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,473	16,473	-
Less offsetting revenues and reimbursements	-	(16,473)	(16,473)
Total program costs	<u>\$ 16,473</u>	-	<u>\$ (16,473)</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	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,473	16,473	-
Less offsetting revenues and reimbursements	-	(16,473)	(16,473)
Total program costs	<u>\$ 16,473</u>	-	<u>\$ (16,473)</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	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,473	16,473	-
Less offsetting revenues and reimbursements	-	(16,473)	(16,473)
Total program costs	<u>\$ 16,473</u>	-	<u>\$ (16,473)</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	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,473	16,473	-
Less offsetting revenues and reimbursements	-	(16,473)	(16,473)
Total program costs	<u>\$ 16,473</u>	-	<u>\$ (16,473)</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:			
Unit cost rate	\$ 6.78	\$ 6.78	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,570	16,570	-
Less offsetting revenues and reimbursements	-	(16,570)	(16,570)
Total program costs	<u>\$ 16,570</u>	-	<u>\$ (16,570)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Ongoing activities:			
Unit cost rate	\$ 6.80	\$ 6.80	\$ -
Number of transit receptacles	× 47	× 47	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	16,619	16,619	-
Less offsetting revenues and reimbursements	-	(16,619)	(16,619)
Total program costs	<u>\$ 16,619</u>	-	<u>\$ (16,619)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Ongoing activities:			
Unit cost rate	\$ 7.15	\$ 7.15	\$ -
Number of transit receptacles	× 48	× 48	× -
Annual number of trash collections	× 52	× 52	× -
Total ongoing costs	17,846	17,846	-
Less offsetting revenues and reimbursements	-	(17,846)	(17,846)
Total program costs	<u>\$ 17,846</u>	-	<u>\$ (17,846)</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, 2012</u>			
One-time costs	\$ 3,837	\$ 3,837	\$ -
Ongoing costs	166,345	166,345	-
Total one-time costs and ongoing costs	170,182	170,182	-
Less offsetting revenues and reimbursements	-	(166,345)	(166,345)
Total program costs	<u>\$ 170,182</u>	3,837	<u>\$ (166,345)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,837</u>	

¹ See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2002, through June 30, 2012

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—
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 \$166,345 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 the Community Services Department, Maintenance/Bus Stops Division (Account 128-4339). The entire amount recorded is funded by Proposition C, a Special Revenue fund. Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proposition C is a 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 related transportation infrastructure. Local Return funds are distributed monthly to cities based on a "per capita" basis.

The Proposition A and 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 of electrical work directly associated with the above items

We confirmed that there were no General Fund transfers into the Proposition C Local Return Fund during the audit period. As the city used Proposition C funds authorized to be used on the mandated activities, it was not required to rely on the use of discretionary general funds to pay for the mandated activities.

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

Any offsetting revenue the claimant experiences in the same program as a result of the same statues 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.