
**CITY OF SANGER
MEASURE S - POLICE, FIRE
PARAMEDIC 9-1-1 RESPONSE, GANG/DRUG PREVENTION
INDEPENDENT ACCOUNTANT'S REPORT
FOR THE YEARS ENDED JUNE 30, 2012 THROUGH JUNE 30, 2018**

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CITY OF SANGER
MEASURE S - POLICE, FIRE, PARAMEDIC 9-1-1 RESPONSE,
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INDEPENDENT ACCOUNTANT'S REPORT

City's Citizen's Oversight Committee,
and Honorable City Council
City of Sanger, California

We have examined the City of Sanger's (the City) Measure S expenditure compliance with the City's Ordinance No.1094, Resolution No. 4122 and Resolution No. 4361 during the years ended June 30, 2012 through June 30, 2018. The City's management is responsible for Measure S expenditure comply with criteria of the City's Ordinance No. 1094, Resolution No. 4122, and Resolution No. 4361 set forth in Note 1. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's Measure S expenditure comply with the City's Ordinance No. 1094, Resolution No. 4122, and Resolution No. 4361, in all material respects. An examination involves performing procedures to obtain evidence about the City's Measure S expenditure compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

Our examination does not provide a legal determination on the City's Measure S expenditure compliance. Our examination disclosed the following material noncompliance with the Ordinance No. 1094, Resolution No. 4122 and Resolution No. 4361 applicable to City of Sanger during the years ended June 30, 2012 through June 30, 2018:

1. Ordinance No. 1094 & Resolution No. 4122 - Supplement rather than Supplant:

A. According to the Resolution No. 4122, the City must ensure the stated minimum dollar amount for public safety departments including police, fire and ambulance be allocated from the General Fund before using Measure S funds to ensure revenues collected shall supplement, rather than supplant, the City's expenditures for public safety. During our examination of budget appropriation for public safety departments for the years ended June 30, 2012, through June 30, 2018, we disclosed the following noncompliance in the departmental base:

- 1) In fiscal year 2018, the appropriated budget for the police department from the General Fund was below the baseline percent by 4.1%, and this variance amounted to \$514,264.
- 2) In fiscal year 2012, the appropriated budget for the fire department from the General Fund was below the baseline dollar amount, and this variance amounted to \$905,720.

In total base, the appropriated budget for all public safety departments including policy, fire and ambulance reached the required minimum baseline or the baseline percent, whichever is higher for the years ended June 30, 2012, through June 30, 2018.

Furthermore, in fiscal year 2013, the ambulance department moved from the Enterprise Fund to the General Fund. During the years ended June 30, 2013, through June 30, 2018 appropriations for the ambulance department were provided solely from the General Fund. No update was made for calculation of the baseline dollar amount conjunction with the movement of ambulance department.

B. According to the Ordinance 1094, Section 66-214, no revenues collected pursuant to the tax levied hereby may be spent on department administrators' salaries, General Fund operating expenses in effect at the time this ordinance becomes effective, or projects not a part of the Public Safety Measure Police and Fire Expenditure Plan. It is the intent of the people that revenues collected hereunder shall supplement, rather than supplant, existing City expenditures for public safety. The following instances were noted that do not meet the requirements of supplement:

- 1) The City's Measure S payroll expenditure for the period under our examination included salaries of three public safety employees hired before Measure S became effective (January 31, 2008).
- 2) The Board of directors of the City approved increases of salaries in fiscal years 2017 and 2018, for all public safety employees whether or not they were hired under Measure S.

2. Resolution No. 4361 - Broadcast availability of grant funding:

According to the Resolution No. 4361 Gang/Drug Prevention Services, the City must broadcast the availability of grant funding. During our examination of grant awards for the years ended June 30, 2012, through June 30, 2018, the City was not able to provide some documentation indicating that they broadcast availability of the funds for fiscal years 2012, 2013, 2014 and 2015. As a result, the City was not able to ensure requirement (4) of Resolution No. 4361 were complied with and adequately supported.

3. Resolution No. 4361 - Performance evaluation presentation

According to the Resolution No.4361 Gang/Drug Prevention Services, the City required presentations of performance evaluations from grant awardees before a Council/COC joint meeting to ensure grant funds were spent properly for its purposes. During our examination of grant awards for the years ended June 30, 2012, through June 30, 2018, the City was not able to provide a copy of performance evaluation presentations or reports. Due to the fact that there has been employee turnover in key positions and amendments to the grant application and guidelines for this program, grant recipient reporting was not regularly presented. Moreover, when the awardees did complete their reporting requirement, hard copies of the report were handed out to committee members during the presentation, but a majority of the time a copy was not given to the person overseeing the meeting to keep with the hard copy agenda. The City has provided those meeting minutes which includes agendas with notations that progress reports were presented, and the audit team reviewed them; however, it does not give us enough evidence to ensure that the city complied with requirement (6) of Resolution No. 4361.

In our opinion, except for the material noncompliance described in the preceding paragraph, the City's Measure S expenditure complied with criteria of the City's Ordinance No. 1094, Resolution No. 4122 and Resolution No. 4361 set forth in Note 1, in all material respects, for the years ended June 30, 2012 through June 30, 2018.

Harshwal & Company LLP

Oakland, California
September 26, 2019

CITY OF SANGER
MEASURE S - POLICE, FIRE, PARAMEDIC 9-1-1 RESPONSE,
GANG/DRUG PREVENTION
CRITERIA
FOR THE YEARS ENDING JUNE 30, 2012 THROUGH JUNE 30, 2018

NOTE 1: CRITERIA

A. Ordinance No. 1094 Measure S:

The Ordinance No. 1094 was adopted by the City of Sanger on January 31, 2008 and extended by City Resolution No.4640 on August 4, 2016 and will continue to be in effect until June 30, 2028. This Ordinance of the voters of the City adds article VI to chapter 66 of the Sanger City Code, enacting a special 3/4 cent transactions and use tax for public safety. Public safety activities are defined in the City's Ordinance as relating to police, fire, paramedic 9-1-1 emergency response and gang/drug prevention services. All proceeds of the tax levied and imposed hereunder shall be accounted for and paid into a special Public Safety Trust Fund or account designated for use by the City of Sanger only for the police, fire, paramedic, 9-1-1 emergency, and gang/drug prevention Services set forth in the Program Guidelines and Public Safety Expenditure Plan. The Public Safety Expenditure Plan may be amended from time to time by a majority vote of the City Council, so long as the funds are utilized for these public safety services. For the purposes of this part, "Public Safety Services" means:

- (1) Obtaining, furnishing, operating, and/or maintaining police protection equipment or apparatus, paying the salaries and benefits of police protection personnel, and such other police protection service expenses, including capital expenses, as are deemed necessary by the City Council for the benefit of the residents of the City.
- (2) Obtaining, furnishing, operating, and/or maintaining fire protection equipment or apparatus, paying the salaries and benefits of fire protection personnel, and such other fire protection service expenses, including capital expenses, as are deemed necessary by the City Council for the benefit of the residents of the City.

No revenues collected pursuant to the tax levied hereby may be spent on department administrators' salaries, General Fund operating expenses in effect at the time this ordinance becomes effective, or projects not a part of the Public Safety Measure Police and Fire Expenditure Plan. It is the intent of the people that revenues collected hereunder shall supplement, rather than supplant, existing City expenditures for public safety.

B. Resolution No. 4122 Supplement Versus Supplant:

The Resolution No. 4122 was adopted by the City of Sanger on January 15th, 2009 establishing the percentage and minimum dollar amount that public safety shall be allocated from the General Fund in future years under Measure S. The following table establishes the percentage of General Fund revenue that shall be appropriated for the public safety departments beginning in fiscal year 2008-2009 and shall apply to all successive fiscal years. If General Fund revenue decreases below the percentage, the public safety departments shall be guaranteed a minimum amount equal to the 2007-2008 adjusted base year dollar amount to ensure that revenues collected shall supplement, rather than supplant, existing City expenditures for public safety:

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B. Resolution No. 4122 Supplement Versus Supplant - (Cont'd):

<u>General Fund:</u>	Adjusted Base per year	%
Police Department	\$ 4,082,571	41%
Fire Department	\$ 2,034,537	21%
Ambulance (General Fund Subsidy)	\$ 385,000	4%
Other General Fund Department	\$ 3,402,999	34%
<u>Enterprise Fund:</u>		
Ambulance	\$ 1,252,790	100%

In fiscal year 2013, the ambulance department moved from the Enterprise Fund to the General Fund. During the years ended June 30, 2013, through June 30, 2018 appropriations for the ambulance department were provided solely from the General Fund.

B.1 Subsequent Ordinance No. 2019-02:

In addition, on February 21st, 2019 the City approved Ordinance No. 2019-02 which illustrated the Resolution No. 4122 in terms of the methodology to ensure that the special tax revenues are used only to supplement general fund expenditures and not to supplant general fund expenditures. The City shall use the methodology set forth below:

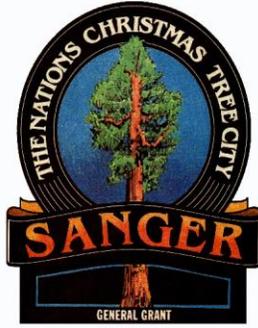
1. The total general fund revenue for the City in fiscal year 2007-2008 was \$9,905,107.
2. The general fund expenditures for public safety services which were in effect in fiscal year 2007-2008 totaled \$6,502,108.00. This included \$4,082,571.00 for Police public safety services and \$2,419,537.00 for Fire public safety services including Ambulance. Those amounts reduced to percentages total 65.65% as follows: 41.22 percent for Police public safety and 24.43 percent for Fire public safety services including Ambulance.
3. Each fiscal year the City must appropriate a minimum of \$4,082,571.00 for Police public safety services from general fund sources and \$2,419,537.00 for Fire and Ambulance public safety services as defined in subsections (a) and (b) of this Section 66-214. This dollar amount shall be known as the baseline dollar amount for each of the public safety departments: Police and Fire.
4. In fiscal year 2018 - 2019 budget and subsequent fiscal year budgets, if the general fund revenue for the City is higher than \$9,906,107, the City must appropriate a minimum 65.65 percent of the general fund to Police public safety Fire and Ambulance public safety. This percentage shall be known as the baseline percent for public safety.
5. In fiscal year 2018-2019 budget and subsequent fiscal year budgets, revenues collected under the Transactions and Use Tax may be allocated and appropriated only after the baseline dollar amount level of funding or the baseline percent, whichever is higher, is met with general funds revenues.

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C. Resolution No. 4361 Gang/Drug Prevention Services:

The Resolution No. 4361 was adopted by the City of Sanger on July 19th, 2012 to establish Gang/Drug Prevention Services policies which stated that the City Council of the City of Sanger, State of California:

1. Invest in gang/drug prevention.
2. Partition dollars between public safety and community non-profits.
3. Adopt criteria for grant funding, allowing both churches and schools to now apply, including that not more than 15% of the grant award be used for administration of a project or event. In the case of church applications, proselytizing during a project or event is prohibited.
4. Broadcast availability of grant funding.
5. Direct that basic requirements of funding applications be evaluated by the City Manager combined with a review by an internal review committee for feasibility and fiscal sustainability.
6. Require performance evaluation presentations be made before a Council/COC joint meeting.
7. Authorize that a draft budget be presented to the COC in which a majority of funds be allocated to community non-profits with the remainder going toward city sponsored programs.



City of Sanger, California

Administrative Services

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1. Ordinance No.1094 & Resolution No. 4122 - Supplement rather than Supplant:

Management Responses (1):

A. Management concurs that the appropriate budget for all public safety departments (including police, fire and ambulance) reached the required minimum baseline percent for the years ended June 30, 2012 through June 30, 2018. The all public safety department methodology for determining supplement versus supplant is as per the methodology identified in Note B.1.

Management disagrees with the interpretation that A (1), fiscal year 2018 and A (2) fiscal year 2012 were below baseline. By component, each was below baseline, however as a whole, the public safety appropriated budget met the baseline. As per the methodology identified in Note B.1, the application of Resolution No. 4122 is applied as a whole for public safety.

Management concurs that Resolution No. 4122 required an update in FY 2013 subsequent to moving the Ambulance Division from the Enterprise Fund to the General Fund. The Sanger City Council has since approved an updated resolution on September 20, 2018 that addressed the Ambulance Division in the General Fund as well as creating a baseline for Public Safety as a whole for the FY 2020 Budget as per Note B.1.

B. Management disagrees that the requirements for supplement were not met due to the following concerns:

1) Management disagrees that the salaries of the three employees hired before the Measure S effective date contradicts Ordinance No. 1094 and Resolution No.

4122. As per Resolution No. 4122 the determining factor of supplement vs. supplant is the percentage of general fund revenue and minimum dollar amount that public safety would be allocated. In fact, Resolution 4122 was prepared in order, "...to ensure that revenues collected shall supplement, rather than supplant, existing City expenditures for public safety...", through its defined methodology. This methodology utilizes public safety budget as a whole, not by specific expenditure category.

Additionally, the positions for Public Safety as a whole were increased by seven positions due to the passage of Measure S. Therefore, Public Safety was supplemented by seven positions regardless of the hiring date of the three positions budgeted to Measure S.

2) Management disagrees that the salary increases in fiscal years 2017 and 2018 contradicts Ordinance No. 1094 and Resolution No. 4122. As noted above, per Resolution No. 4122 the determining factor of supplement vs. supplant is the percentage of general fund revenue and minimum dollar amount that public safety would be allocated. Based on the specifications of Resolution No. 4122 to define supplement vs. supplant, the salary increases were not in violation of the percentages established for supplement vs. supplant as the appropriate budget for all public safety departments met the minimum baseline percentage for those fiscal years in question.

Additionally, the City Attorney provided an opinion at the time that the salary increases were an appropriate use for Measure S funding per below:

“That’s clearly in the ordinance. And the ordinance does provide that one sentence at the very last part of Section 66-214, it does have that it is the intent of the people that revenues shall supplement rather than supplant existing expenditures for public safety. So, taking that language, I have looked at it very carefully as well and my view is that basically there was an amount spent on public safety on March 1, 2008 when Measure S became effective. That was the baseline amount and that baseline amount from non-Measure S funds cannot substitute the Measure S base amount. Other than that, Measure S funds can be used as long as they are used for those purposes that are defined in public safety services under the code, under the ordinance, under the measure and they’re both defined identically for both fire and police. There are two sections separately but they’re identical.”

2. Resolution No.4361 - Broadcast availability of grant funding

Management Response (2):

Management agrees that documentation of the broadcast availability of funds is not available. It should be noted, however, that past agendas and minutes document that non-profit organizations applied for the funding, and therefore did receive notification. Invoices and other forms of documentation to broadcast were not available.

3. Resolution No.4361 - Performance evaluation presentation

Management Response (3):

Management agrees that documentation of evaluations is not available. It should be noted, however, that past agendas and minutes document that presentations were made, though copies of the presentation are not available.