

Annual Report of the Measure P Citizens Oversight Committee

Fiscal Year 2016/2017

Measure P Background

In November 2016, Chula Vista voters approved Measure P a temporary, ten-year, half-cent sales tax to fund high priority infrastructure needs. Collection of the sales tax began April 1, 2017. The sales tax is projected to raise \$178 million which will be used to upgrade police, fire, paramedic and 9-1-1 equipment, vehicles and facilities; fund streets and sidewalks; replace storm drains to prevent sinkholes; improve parks; repair recreation facilities; and repair or replace other city infrastructure.

The ballot measure also established a Measure P Citizens Oversight Committee (COC). The purpose of the COC is to review and report on all Measure P proposed expenditure plans, financial reports, and audits.

Citizens Oversight Committee

The Measure P Citizens Oversight Committee (COC) is composed of 16 members. The purpose of the COC is to review and report on all Measure P expenditure plans, financial reports, and audits. Eleven of the COC members serve as “Designated Members.” Designated Members nominated by local organizations and individuals such as the Chula Vista Chamber of Commerce, Chula Vista Youth Sports Council, Chula Vista Growth Management Oversight Commission, and the Chula Vista Police and Fire chiefs. The remaining five members are “At-Large Members” selected from a pool of applicants who applied directly to the City. “At-Large Members” include at least one resident from each of the four City Council districts.

The board is composed of sixteen members appointed to a four-year term.

Member	Appointment Criteria	Term Expiring
Paula Whitsell	District 1 Rep.	6/30/21
Christopher Redo (Chair)	District 2 Rep.	6/30/21
Jason Prater	District 3 Rep.	6/30/21
Christopher Sheridan	District 4 Rep.	6/30/21
Mona Freels	At-Large Rep.	6/30/21
Zulema Maldonado	Designated Rep. ¹	6/30/21
Silvestre Vigilante	Designated Rep. ²	6/30/21
Lileana Robles	Designated Rep. ³	6/30/21
David Garcias	Designated Rep. ⁴	6/30/21
Todd Voorhees	Designated Rep. ⁵	6/30/21
Michael Lengyel	Designated Rep. ⁶	6/30/21
Thomas Doyle	Designated Rep. ⁷	6/30/21
Oscar Romo	Designated Rep. ⁸	6/30/21

Robert Ziomek	Designated Rep. ⁹	6/30/21
Donald Hunter	Designated Rep. ¹⁰	6/30/21
Leon Firsh (Vice Chair)	Designated Rep. ¹¹	6/30/21

Nominating Authorities are as follows:

- 1 - Chula Vista Chamber of Commerce
- 2 - Chula Vista Sports Council
- 3 - Alliance of Californians for Community Empowerment, San Diego Branch
- 4 - San Diego and Imperial Counties Labor Union
- 5 - San Diego County Taxpayers Association
- 6 - Growth Management Oversight Commission
- 7 - Parks and Recreation Commission
- 8 - Sustainability Commission
- 9 - Chula Vista Fire Chief
- 10 - Chula Vista Police Chief
- 11 - Chula Vista Director of Public Works

The specific duties of the COC are as follows:

1. Review and comment on each year's Finance Department Report (as defined in CVMC section 3.33.160.A); Measure P Spending Plan (as defined in CVMC section 3.33.160.B); and Auditor Report (as defined in CVMC section 3.33.160.C).
2. Prepare an annual report regarding the Finance Department Report for presentation to the City Council at a public meeting.
3. Work with City staff to identify and apply "best practices" for tracking and reporting on Measure P revenues and expenditures relative to other City revenues and expenditures.

Summary of fiscal year 2017 Independent Auditors' Report on Compliance Revenues and Expenditures

Major expenditures in the following categories incurred in fiscal year 2017:

Category	FY 2017 Expenditures	Major Items
Fire Services	\$ 299,600	Fire Vehicles, Fire Equipment
Police Services	\$ 1,578,236	911 Communications System, Police Vehicles
Streets	\$ 340,555	Residential Streets (2,672')
Other Infrastructure	\$ 185,619	Parkway Gym Renovations
Bond Sale Expenses	\$ 46,843	Bond Issuance Costs
Total Expenditures	\$ 2,450,854	

Audited Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2017

Revenues:	
Local sales and use tax	\$ 3,906,919
<hr/>	
Total Revenues	<u>\$ 3,906,919</u>
Expenditures:	
Contracted Services	\$ 58,183
Repairs and maintenance	\$ 28,571
Equipment and shared infrastructure costs	\$ 1,555,598
Capital outlay	\$ 808,502
<hr/>	
Total Expenditures	<u>\$ 2,450,854</u>
Excess of Revenues Over Expenditures	\$ 1,456,065
Net Change in Fund Balance	\$ 1,456,065
<hr/>	
Fund Balance as of June 30, 2017	<u>\$ 1,456,065</u>

Conclusion

The Citizens Oversight Committee notes that this Annual Report refers only to the period from April 1, 2017 to June 30, 2017. During this period, the Committee had just been convened and held two meetings before the end of the fiscal year. Likewise, during this period the Committee began to contemplate the optimal format, content and scope of reports on expenditures, work schedule, and public information efforts required to provide citizens with transparency on the finances associated with the implementation of Measure P.

In April 2017, city staff provided a status report to the Committee on the pending Measure P bond issuance. The intent of the bond issuance was to advance the funds necessary to initiate projects listed by the city as critical red assets (those in imminent stages of failure) in the city's Asset Management Plan.

On July 27, 2017, city staff reported to the Committee that the bond issuance had been successful, generating \$70,000,000 in net bond proceeds to be used for Measure P projects. Accordingly, all budgets for the Measure P Spending Plan were prepared in compliance with the ordinance, including the net bond proceeds.

It's worth noting that during the period of April 1, 2017 to June 30, 2017, Measure P funds were expended to leverage grant dollars that had been secured by the city for improvements to the Parkway pool and gymnasium, enhancing the scope, scale and quality of the improvements.

The Citizens Oversight Committee has reviewed the Independent Auditor's Report on Compliance with Applicable Requirement prepared by the audit firm of Lance, Soll and Lunghard (LSL), the Measure P Spending Plan, and various expenditure and revenue reports prepared by the city staff.

For the fiscal year beginning July 1, 2017, the Committee and the City staff have refined the information and reports that are regularly presented at the Committee's public meetings. It is anticipated that those reports will be included in the Annual Report of the Committee in subsequent fiscal years.

CITY OF CHULA VISTA, CALIFORNIA
2016 MEASURE P SALES TAX FUND

Report on Compliance with the
Infrastructure, Facilities and Equipment Expenditure Plan
For the Year Ended June 30, 2017

**CITY OF CHULA VISTA
2016 MEASURE P SALES TAX FUND**

JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report on Compliance with Applicable Requirements and on Internal Control Over Compliance	1
Schedules of 2016 Measure P Sales Tax Fund:	
Balance Sheet	3
Statement of Revenues, Expenditures and Changes in Fund Balance	4



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENT AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

Report on Compliance

We have audited the compliance of the 2016 Measure P Sales Tax Fund of the City of Chula Vista, California (the "City") with the types of compliance requirements described in *Ordinance No. 3371 (the Ordinance)* and the *Infrastructure, Facilities and Equipment Expenditure Plan (the Spending Plan)* for the year ending June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of the Ordinance and the Spending Plan.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with the requirements described in the Ordinance and the Spending Plan based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred above that could have a direct and material effect on the 2016 Measure P Sales Tax Fund of the City. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the 2016 Measure P Sales Tax Fund of the City. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to the 2016 Measure P Sales Tax Fund for the year ending June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal controls over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.





CPAs AND ADVISORS

To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance of the Ordinance and the Spending Plan on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of the Ordinance and the Spending Plan will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance and the Spending Plan. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
December 28, 2017

CITY OF CHULA VISTA
SCHEDULES OF 2016 MEASURE P SALES TAX FUND

BALANCE SHEET
JUNE 30, 2017

Assets:

Cash and investments	<u>\$ 1,970,749</u>
Total Assets	<u><u>\$ 1,970,749</u></u>

Liabilities:

Current liabilities:	
Accounts Payable	<u>514,684</u>
Total Liabilities	<u>514,684</u>

Fund Balance:

Assigned for Measure P Sales Tax	<u>1,456,065</u>
Total Fund Balance	<u>1,456,065</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,970,749</u></u>

CITY OF CHULA VISTA
SCHEDULES OF 2016 MEASURE P SALES TAX FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
JUNE 30, 2017

Revenues:

Local sales and use tax	<u>\$ 3,906,919</u>
Total Revenues	<u>3,906,919</u>

Expenditures:

Contracted services	58,183
Repairs and maintenance	28,571
Equipment and shared infrastructure costs	1,555,598
Capital outlay	<u>808,502</u>
Total Expenditures	<u>2,450,854</u>

Excess (Deficiency) of Revenues Over (under) Expenditures	<u>1,456,065</u>
Net Change in Fund Balance	<u>1,456,065</u>
Fund Balance at End of Year	<u><u>\$ 1,456,065</u></u>