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# City of El Cajon



MEETING: 2/8/11

ITEM NO: 5.1

## Agenda Report

**DATE:** January 31, 2011

**TO:** Mayor Lewis, Mayor Pro Tem Kendrick,  
Councilmembers Hanson-Cox, McClellan, and Wells

**FROM:** Public Safety Facility Financing Oversight Committee

**SUBJECT:** Annual Report

**RECOMMENDATION:** That the City Council accept the Annual Report from the Public Safety Facility Financing Oversight Committee.

**BACKGROUND:** In accordance with El Cajon Municipal Code 2.24.900 Public Safety Facility Financing Oversight Committee/Powers and Duties:

The Public Safety Facility Financing Oversight Committee was established in conjunction with the passage of Proposition O on November 2, 2004. The Committee serves in an advisory capacity and shall make recommendations on matters pertaining to the expenditure of Proposition O proceeds. Currently, the Committee Members are Chair Rodgers Smith, Nancy Crane, David DeBaca, John A. Forrest, Robert Isham, James Kelly, and James Rue. The Committee is pleased to provide the Mayor and City Council the following report with findings relative to Proposition O funds for fiscal year 2010 (July 1, 2009 - June 30, 2010).

The Committee met four times in 2010, during which time we were provided financial reports indicating costs associated with and spent as part of development of the various public safety facilities.

In early January, City staff provided the Committee with the attached Independent Auditors' Report on the Public Safety Facilities Capital Projects Fund (Exhibit A) summarizing the revenues and expenditures for the fiscal year ended June 30, 2010. The auditing firm of Rogers, Anderson, Malody & Scott, LLP noted no exceptions. On January 18, 2011, Oversight Committee Members met and confirmed that the detailed financial reports provided by City staff throughout the year were validated by the Independent Auditors' Report. Based on all financial data provided, reviewed and confirmed, the Committee is prepared to provide the City Council with this written report.

### Summary of Revenues and Expenditures

During fiscal year 2010, Proposition O sales tax revenues received from the State of California totaled \$6,819,292, which represents a decrease of 11.4% from the prior fiscal year. Total sales tax revenue received since 2005 is \$41,303,040. The other source of revenue recorded last year came from investment earnings of \$585,011.

Since inception, \$41,572,040 has been expended for the Public Safety Facilities Program. During fiscal year 2010, a total of \$20,231,404 was spent for the Public Safety Center (\$19,373,274), upgrades at Fire Station 9 (\$85,106), the kitchen renovation at Fire Station 6 (\$6,197), Animal Shelter (\$93,335) and Fire Station 7 (\$6,500). Other costs reflected in the financial statements for 2010 were for program support (\$75,958) and debt service payments for the bonds issued (\$591,034). Refer to Exhibit B for additional detail.

### Concerns

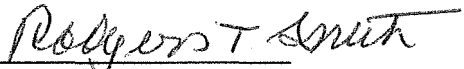
None

### Conclusions

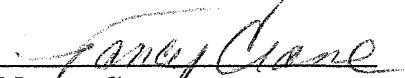
The Public Safety Facility Planning Oversight Committee has carefully reviewed the accounting documents provided by the City Manager's staff and the Independent Auditor's report on the Fund. The Committee is more than comfortable that the listed expenditures related to the project were expended appropriately through fiscal year end 2010 and were consistent with the language and requirements under Proposition O as passed by the voters in November 2004.

The Oversight Committee continues to be proactive and professional in all respects. During January 2011, all members of the Committee were provided an extensive and comprehensive tour of the new Public Safety Center. Committee member John Alley submitted his resignation due to a move to the Pacific Northwest and his contributions to the Committee were significant. The Committee would like to make special mention and commend Nancy Palm, Deputy City Manager/Director of Finance; Holly Reed-Falk, Financial Operations Manager; Joe DeMello, Gafcon Construction Manager; Pat Sprecco, Chief of Police; and Mike Scott, Fire Chief; for the noteworthy and outstanding degree of professionalism, dedication and thorough knowledge of all aspects of this important endeavor. Their tireless efforts, expertise and guidance have been significantly important in assisting and guiding this Oversight Committee. The most important comment that the Oversight Committee can state positively is that the Public Safety Center project is "on time and within budget."

Respectfully Submitted,  
Public Safety Facility Financing Oversight Committee



Rodgers Smith, Chair

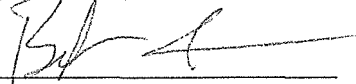


Nancy Crane

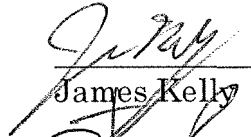
David DeBaca



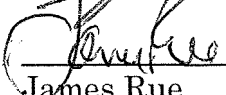
John A. Forrest



Bob Isham



James Kelly

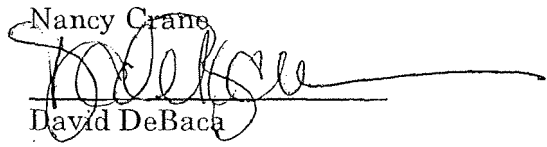


James Rue

Respectfully Submitted,  
Public Safety Facility Financing Oversight Committee

\_\_\_\_\_  
Rodgers Smith, Chair

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Nancy Crane



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David DeBaca

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John A. Forrest

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Bob Isham



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James Kelly

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James Rue



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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MAYA S. IVANOVA, C.P.A.  
CHRISTOPHER MONTOYA, C.P.A.  
DANIELLE E. ODGERS, C.P.A.

Citizens' Oversight Committee and City Council  
City of El Cajon  
El Cajon, California

**Independent Auditor's Report on the  
Public Safety Facilities Capital Projects Fund**

We have audited the accompanying schedule of revenues and expenditures of the Public Safety Facilities Capital Projects Fund (Fund 502) of the City of El Cajon for the year ended June 30, 2010. This financial statement is the responsibility of the City of El Cajon, California's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the schedule of revenues and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of revenues and expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of revenues and expenditures. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule of revenues and expenditures presents only the revenues and expenditures of the Public Safety Facilities Capital Projects Fund (Fund 502) of the City of El Cajon.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and expenditures of the Public Safety Facilities Capital Projects Fund (Fund 502) of the City of El Cajon for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

*Rogers, Anderson, Malody & Scott, LLP*

November 30, 2010

MEMBERS

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CITY OF EL CAJON  
Public Safety Facilities Capital Projects Fund (Fund 502)  
Schedule of Revenues and Expenditures  
For the year ended June 30, 2010

Beginning balance - July 1, 2009	<u>\$ 44,093,568</u>
Revenues:	
Sales tax (0.50%)	6,819,290
Interest	<u>585,012</u>
Total revenues	<u>7,404,302</u>
Expenditures:	
Salaries and benefits	186,189
Consulting services	724,362
Professional and technical services	783,210
Equipment costs	18,285
Construction costs	17,851,297
Permits	9,314
Other	<u>67,713</u>
Total expenditures	<u>19,640,370</u>
Transfers out to debt service	<u>(591,034)</u>
Ending balance - June 30, 2010	<u><u>\$ 31,266,466</u></u>



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Citizens' Oversight Committee and City Council  
City of El Cajon  
El Cajon, California

**Additional Information Regarding the Audit of the  
Public Safety Facilities Capital Projects Fund (Fund 502) of the City of El Cajon**

Our audit of the Public Safety Facilities Capital Projects Fund (Fund 502) of the City of El Cajon included the procedures identified below, as well as other procedures performed in connection with our audit of the financial statements of the City of El Cajon for the year ended June 30, 2010 which resulted in our unqualified opinion that the financial statements of the City were fairly stated in accordance with generally accepted accounting principles. This information regarding our audit of the Public Safety Facilities Capital Projects Fund (Fund 502) has been provided to communicate to the Citizens' Oversight Committee the results of the audit procedures identified below:

1. We analyzed the following documents in order to gain an understanding of the requirements stated in the Measure:
  - Ordinance No. 4784
  - Ordinance No. 4794
  - Resolution No. 154-04
  - Resolution No. 155-04

Results: We noted that the City Council placed before the voters of the City of El Cajon a Public Safety Facilities Bond Measure (the Measure) relating to the imposition of a one-half of one percent (0.50%) transaction and use tax to fund new and improved public safety facilities. The election on the Measure was held on November 2, 2004 at which time the voters were asked whether or not the City should implement a half-cent sales tax for 10 years to improve public safety and emergency response throughout the City by replacing aging, overcrowded police and fire facilities with combined earthquake-safe facilities including the latest public safety technology and an Emergency Operations Center to coordinate disaster response. The Measure presented to the voters provided that such bonds would be issued with a citizens' oversight committee and independent financial audits. Furthermore, the proceeds of the tax collection are to be used to fund new and improved public safety facilities. At the election on November 2, 2004, the voters passed the Measure, identified as Proposition O on the ballot, and the results of such election were duly certified by the City Council by means of resolution at a regular meeting held on November 23, 2004.

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2. We obtained and reviewed a summary revenue detail report from the City's general ledger for Fund 502 - Public Safety Facilities Fund for the fiscal year ended June 30, 2010. We reviewed supporting cash receipts to test whether the City had properly recorded receipts of the voter approved transaction and use tax in the amount of one-half of one percent (0.50% sales tax) and the proceeds from the issuance of long-term debt in Fund 502 of the City.

Results: We noted no exceptions as a result of our procedures. All receipts of the voter approved transaction and use tax in the amount of one-half of one percent (0.50% sales tax) and the proceeds from the issuance of long-term debt in the form of revenue bonds were properly recorded in Fund 502 of the City as of June 30, 2010.

3. We obtained an understanding from the City of the methodology used to allocate investment income. We also tested the computation used to support the allocation of the amount of investment income and the change in the fair market value to determine if the same were reasonably allocated to Fund 502 - Public Safety Facilities Fund.

Results: We noted no exceptions as a result of our procedures. Investment income and the change in the fair market value were reasonable with respect to Fund 502 - Public Safety Facilities Fund as of June 30, 2010.

4. We obtained and reviewed a summary expenditure detail from the City's general ledger for Fund 502 - Public Safety Facilities Fund for the fiscal year ended June 30, 2010. We selected individually significant invoices listed in this expenditure detail report and tested whether adequate supporting documentation (vendor/supplier invoices, receipts, etc.) existed and whether the expenditure related to the specific projects stated in the Measure. We also examined the supporting documentation to test whether the amounts agreed to the City's general ledger and that no unallowable costs were charged to Fund 502 - Public Safety Facilities Fund.

Results: We noted no exceptions as a result of our procedures. Adequate supporting documentation existed for selected items and the expenditures related to the specific projects stated in the Measure. In addition, amounts on the supporting documentation agreed to the City's general ledger and no unallowable costs to Fund 502 - Public Safety Facilities Fund were detected by our testing.

5. We obtained and reviewed selected payroll entries to test whether the allocation of salaries to Fund 502 - Public Safety Facilities Fund were reasonable. We obtained an understanding from the City of the methodology used to allocate salaries, as well as reviewed documentation supporting these allocations to Fund 502 - Public Safety Facilities. In addition, we inquired selected employees charged to the Fund to determine if the salaries allocated were reasonable based upon duties performed.

Results: We noted no exceptions as a result of our procedures. Salaries charged to Fund 502 - Public Safety Facilities Fund were reasonable in relation to the activities and duties performed by the related personnel.

This report is intended solely for the information and use of the City Council, management of the City of El Cajon and the Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties. However, this limitation is not meant to limit the distribution of this report which is a matter of public record.

*Rogers, Anderson, Malady & Scott, LLC*

November 30, 2010

**Public Safety Facility Financing Oversight Committee  
Financial Status Report  
June 30, 2010  
(Unaudited)**

**SUMMARY OF REVENUES**

<u>Account Name/Description</u>	<u>Inception To Date June 30, 2009</u>	<u>Through June 30, 2010</u>	<u>Received To Date</u>
Sales Tax Revenue	\$ 34,483,748.14	\$ 6,819,292.27	\$ 41,303,040.41
Investment Earnings	1,947,097.62	488,543.82	2,435,641.44
Investment Earnings - Fiscal Agent	-	96,467.81	96,467.81
Sale of Property to Redevelopment Agency	2,955,856.89	-	2,955,856.89
Rental Income	82,058.82	-	82,058.82
Miscellaneous Reimbursement	457.98	-	457.98
Bond Proceeds	25,195,000.00	-	25,195,000.00
Premium on Bond Issuance	769,982.80	-	769,982.80
<b>Total Revenues</b>	<b>\$ 65,434,202.25</b>	<b>\$ 7,404,303.90</b>	<b>\$ 72,838,506.15</b>

**SUMMARY OF EXPENDITURES BY PROJECT**

<u>Project Name</u>	<u>Project Status</u>	<u>Inception To Date June 30, 2009</u>	<u>Through June 30, 2010</u>	<u>Project Total</u>
Program Support		\$ 3,468,144.72	\$ 666,991.98	\$ 4,135,136.70
Public Safety Center		13,485,137.38	19,373,273.98	32,858,411.36
Animal Shelter		58,301.10	93,335.05	151,636.15
Fire Station 8	Completed	1,659,969.25	-	1,659,969.25
Fire Station 6 - Roof & HVAC	Completed	1,071,387.03	-	1,071,387.03
Fire Station 6 - Kitchen Remodel	Completed	89,243.11	6,197.36	95,440.47
Fire Station 7		29,550.47	6,500.00	36,050.47
Fire Station 9		1,478,902.03	85,106.12	1,564,008.15
<b>Total Expenditures</b>		<b>\$ 21,340,635.09</b>	<b>\$ 20,231,404.49</b>	<b>\$ 41,572,039.58</b>