



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**MEASURES "A" AND "B" REVENUES
AND EXPENDITURES**

FOR THE YEAR ENDED JUNE 30, 2016



CITY OF STOCKTON

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**CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Members of the City Council
City of Stockton
Stockton, California

We have performed the procedures enumerated below, which were agreed to by the City of Stockton, solely to assist you in determining that revenues were collected in accordance with Measure A and expenditures were spent in accordance with Measure B for the year ended June 30, 2016. City of Stockton's management is responsible for the accounting records pertaining to Measures A and B. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. In order to plan and perform the agreed-upon procedures, we obtained an understanding of the key compliance requirements of Measures A and B. Additionally, we interviewed key personnel in the City's Finance Department and Police Department to gain an understanding of the City's internal control structure relating to Measure A's financial transactions.

2. We obtained the Measures A and B Schedule of Sources and Uses included in the Comprehensive Annual Financial Report of the City of Stockton for the fiscal year ended June 30, 2016. The schedule is shown in Exhibit 1.
- a. In calculating the ratio of Measure B expenditures as a percent of Measure A revenues, the City included encumbrances of \$556,016. An encumbrance is a reservation of funds and not an expenditure. The Measure B expenditures as a percentage of the total Measure A revenues was 44%.

	<u>AMOUNT</u>
SOURCES/REVENUES:	
Measure A Transaction and Use Tax	<u>\$ 29,259,106</u>
Total Revenues	<u>29,259,106</u>
USES/EXPENDITURES:	
Police	12,255,785
Office of Violence Prevention	<u>611,857</u>
Total Measure B Expenditures	<u>12,867,642</u>
Measure B expenditures as a % of annual Measure A revenues	44%
Other City Services	
Administration Overhead	730,920
Transfers for Mission Critical Projects	<u>5,292,380</u>
	<u>6,023,300</u>
Total Uses/Expenditures	<u>18,890,942</u>
Excess of Revenues over Expenditures and Transfers	<u>\$ 10,368,164</u>

- b. The excess of revenues over expenditures and transfers of \$10,368,164 remains in the General Fund as available fund balance.

3. To verify that Measure A revenues were collected in accordance with the tax measure, we obtained a report from the California State Board of Equalization (BOE) and traced the following cash receipts to BOE records.

	GROSS	ADMINISTRATIVE COST	NET AMOUNT
Third Quarter 2015	\$ 7,301,024	\$ 62,700	\$ 7,238,324
Fourth Quarter 2015	7,456,520	62,700	7,393,820
First Quarter 2016	6,960,335	69,070	6,891,265
Second Quarter 2016	<u>7,541,227</u>	<u>57,010</u>	<u>7,484,217</u>
Totals	<u>\$ 29,259,106</u>	<u>\$ 251,480</u>	<u>\$ 29,007,626</u>

The Measure A transaction and use tax revenue reported in Measures A and B Schedules of Sources and Uses in the amount of \$29,259,106 agreed to BOE records.

4. We examined approximately 37% of Measure B expenditures to validate the expenditures that were spent on the Marshall Plan on Crime. The approved Marshall Plan uses include the following:
- Rebuilding the Police Department;
 - Creating Office of Violence Prevention;
 - Implementing Neighborhood Blitz Team;
 - 120 New sworn public safety officers' positions over an estimated three-year period; and
 - 43 Civilian public safety positions over an estimated three-year period.

Below is a summary of Measure B expenditures examined:

USES/EXPENDITURES - MEASURE B	EXPENDITURES	AMOUNTS	
		EXAMINED	PERCENTAGE
Salary and benefits	\$ 8,505,413	\$ 2,137,341	25%
Equipment, materials, and supplies	3,091,401	2,493,359	81%
Other	<u>1,270,828</u>	<u>131,396</u>	10%
Total Measure B Expenditures	<u>\$ 12,867,642</u>	<u>\$ 4,762,096</u>	37%

- a. We obtained a report from City staff entitled, "Personnel Listing per Month" for City of Stockton, which shows date of hire for both sworn and civilian public safety officers. We agreed the employee hire dates on the report to Omniform-CS-23, "City of Stockton Report on Personnel Action" for each employee.

Based on these reports, we noted that the City hired 50 sworn public safety officers, 15 civilian public safety officers, and 7 employees for the Office of Violence Prevention during the fiscal year ended June 30, 2016 using Measure A funds.

Of the 50 sworn public safety officers, 42 were new officers, 6 were existing sworn public safety officers who were promoted to sergeants, and 2 were promoted to lieutenant. Six of the new hires subsequently resigned or were terminated during the year. One other sergeants left the City's employment, leaving a net increase of 43 sworn public safety officers during the year. In addition, 17 other sworn public safety officers out of 40 who remained as of June 30, 2015 subsequently resigned or were terminated during the fiscal year ended June 30, 2016, leaving 66 positions filled as of June 30, 2016.

Of the 15 civilian public safety officers, 6 were new hires; 9 were existing employees of the City who were transferred from a different position. Two of the 15 employees left the City's employment before June 30, 2016. In addition, 6 other employees out of the 16 hired during the fiscal year ended June 30, 2015 subsequently resigned or were terminated during the fiscal year ended June 30, 2016, leaving 23 positions filled as of June 30, 2016.

All of the 7 hires for the Office of Violence Prevention during the fiscal year ended June 30, 2016 were new employees.

Since July 1, 2014, the City has hired a total of 128 sworn public safety officers, 31 civilian public safety officers, and 9 employees for the Office of Violence Prevention, for a total of 168 employees. As of June 30, 2016, 58% of the individuals hired remain in their positions. Please refer to the table below for more details.

MARSHALL PLAN POSITIONS

<u>CATEGORY</u>	<u>TOTAL AUTHORIZED BUDGETED FOR MEASURE A</u>	<u>POSITIONS FILLED AS OF JUNE 30, 2015</u>	<u>POSITIONS FILLED AS OF JUNE 30, 2016</u>
Police Sworn	80	40	66
Police Civilian	17	5	12
Neighborhood Services	6	6	6
Neighborhood Blitz	5	5	5
Office of Violence Prevention	<u>7</u>	<u>1</u>	<u>8</u>
Totals	<u>115</u>	<u>57</u>	<u>97</u>

- b. We examined invoices, purchase orders, and City Council approval of resolutions for purchases of vehicles, radios, office equipment, and other supplies amounting to \$2,624,755.
5. We examined, on a test basis, the underlying supporting documentation for the allocation of \$5,292,380 of Measure A funding for Mission Critical Spending shown below.

<u>PROJECT DESCRIPTION</u>	<u>BUDGET SECTION</u>	<u>FUNDING</u>
SEB 4th Floor Build Out	Public Safety	\$ 1,500,000
Police Communications System Upgrade	Public Safety	650,000
Information Technology Projects	Organization Development	385,000
Citywide Training	Organization Development	36,400
Purchasing Improvements	Administrative and Support	30,781
Phase 1 & 3 LED Lighting	Infrastructure	1,576,000
Parks Irrigation Controller Upgrade	Infrastructure	588,000
Street Resurfacing	Infrastructure	226,199
Sidewalks	Infrastructure	300,000
Total		<u>\$ 5,292,380</u>

- a. We verified that transfers are in line with the approved budget for FY 2015-2016.
- b. We obtained reports from City Finance Department staff entitled "Project Activity Listing" detailing activity by project for SEB 4th Floor Build Out Project, Phase 1 & 3 LED Lighting Project, Parks Irrigation Controller Upgrade Project, Sidewalks Project, Police Communications System Upgrade Project and Information Technology Projects in the total amount of \$4,999,000.

<u>PROJECT DESCRIPTION</u>	<u>(AS OF 12/4/16)</u>		
	<u>2015-2016</u>	<u>2016-2017</u>	<u>TOTAL</u>
SEB 4th Floor Build Out	\$ 70,369	\$ 24,304	\$ 94,673
Police Communications System Upgrade	471,856	164,677	636,533
Information Technology Projects	8,450	48,060	56,510
Phases 1 & 3 LED Lighting	1,833	66,208	68,041
Parks Irrigation Controller Upgrade	593	9	602
Sidewalks	295,519	386,826	682,345
TOTALS	<u>\$ 848,620</u>	<u>\$ 690,084</u>	<u>\$ 1,538,704</u>

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Stockton and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Eadie and Payne HP

February 2, 2017
Redlands, California

CITY OF STOCKTON
MEASURES A AND B SCHEDULE OF SOURCES AND USES
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT 1

	Final Budget	Year End Actual	Variance with Final Budget
SOURCES/REVENUES:			
Measure A Transaction and Use Tax	\$28,125,000	\$29,259,106	\$1,134,106
Total Revenues	28,125,000	29,259,106	1,134,106
USES/EXPENDITURES:			
Police			
Salary and Benefits			
Sworn	10,089,556	6,247,971	(3,841,585)
Non-Sworn	2,502,200	1,954,953	(547,247)
Vacancy Savings	(2,933,065)	-	2,933,065
Other Services	1,213,234	775,634	(437,600)
Materials and Supplies			
Fuel	175,202	58,588	(116,614)
Other Supplies	275,310	212,470	(62,840)
Equipment			
Radios	2,079,464	1,396,096	(683,368)
Vehicles	1,435,485	1,233,765	(201,720)
Technology Upgrades	796,000	104,547	(691,453)
Other Expenses			
Training	307,500	271,761	(35,739)
	<u>15,940,886</u>	<u>12,255,785</u>	<u>(3,685,101)</u>
Office of Violence Prevention			
Salary and Benefits			
Non-Sworn	592,900	302,489	(290,411)
Other Services	315,389	221,737	(93,652)
Materials and Supplies			
Fuel	12,000	-	(12,000)
Other Supplies	10,000	11,210	1,210
Equipment			
Office Equipment	17,500	451	(17,049)
Vehicles	74,774	74,274	(500)
Other Expenses	2,000	1,696	(304)
	<u>1,024,563</u>	<u>611,857</u>	<u>(412,706)</u>

MEASURES A AND B SCHEDULE OF SOURCES AND USES (Continued)

	Final Budget	Year End Actual	Variance with Final Budget
Basis Adjustment			
Encumbrances (Included in Final Budget)	-	\$ 556,016	\$ 556,016
Total Measure B Expenditures	\$16,965,449	13,423,658	(3,541,791)
Measure B expenditures as a % of annual Measure A revenues	60%	46%	
Other City Services			
Administration Overhead	761,982	730,920	(31,062)
Mission Critical Projects			
LED Lighting Project Phase I & III	1,576,000	1,576,000	-
Information Technology Projects	385,000	385,000	-
Purchasing Improvements	30,781	30,781	-
SEB 4th Floor Build Out	1,500,000	1,500,000	-
Police Communications System Upgrade	650,000	650,000	-
Citywide Training	130,000	36,400	(93,600)
Parks Irrigation Controller Upgrade	588,000	588,000	-
Street Resurfacing	500,000	226,199	(273,801)
Sidewalks	300,000	300,000	-
General Fund Available Fund Balance	4,737,788	9,538,347	4,800,559
Basis Adjustment			
Encumbrances (Included in Final Budget)	-	273,801	273,801
	<u>11,159,551</u>	<u>15,835,448</u>	<u>4,675,897</u>
Total Uses/Expenditures	<u>\$28,125,000</u>	<u>\$29,259,106</u>	<u>\$1,134,106</u>

CITY OF STOCKTON
COMPARISON OF REVENUE AND EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

EXHIBIT 2

	2016	2015
SOURCES/REVENUES:		
Measure A Transaction and Use Tax	\$ 29,259,106	\$ 27,811,587
Total Revenues	29,259,106	27,811,587
USES/EXPENDITURES:		
Police	12,255,785	4,857,390
Office of Violence Prevention	611,857	209,932
Total Measure B Expenditures	12,867,642	5,067,322
Measure B expenditures as a % of annual Measure A revenues	44%	18%
Other City Services		
Administration Overhead	730,920	230,096
Transfers to Mission Critical Projects	5,292,380	7,789,129
Total Other City Services	6,023,300	8,019,225
Total Uses/Expenditures	18,890,942	13,086,547
EXCESS OF REVENES OVER EXPENDITURES AND TRANSFERS	\$ 10,368,164	\$ 14,725,040