



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

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

FOR THE YEAR ENDED JUNE 30, 2017



CITY OF STOCKTON
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES



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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, 2017. 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, 2017. 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 \$160,609. 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 61%.

	<u>AMOUNT</u>
SOURCES/REVENUES:	
Measure A Transaction and Use Tax	\$ 30,048,605
Total Revenues	<u>30,048,605</u>
USES/EXPENDITURES:	
Police	17,433,483
Office of Violence Prevention	847,222
Total Measure B Expenditures	<u>18,280,705</u>
Measure B expenditures as a % of annual Measure A revenues	61%
Other City Services	
Administration Overhead	-
Transfers for Mission Critical Projects	380,201
	<u>380,201</u>
Total Uses/Expenditures	<u>18,660,906</u>
Excess of Revenues over Expenditures and Transfers	<u>\$ 11,387,699</u>

- b. The excess of revenues over expenditures and transfers of \$11,387,699 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.

	<u>GROSS</u>
Third Quarter 2016	\$ 7,450,912
Fourth Quarter 2016	7,866,894
First Quarter 2017	7,045,948
Second Quarter 2017	<u>7,684,851</u>
Total	<u><u>\$ 30,048,605</u></u>

The Measure A transaction and use tax revenue reported in Measures A and B Schedules of Sources and Uses in the amount of \$30,048,605 agreed to BOE records.

4. We examined approximately 40% 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:

<u>USES/EXPENDITURES - MEASURE B</u>	<u>EXPENDITURES</u>	<u>AMOUNTS</u>	
		<u>EXAMINED</u>	<u>PERCENTAGE</u>
Salary and benefits	\$14,006,765	\$ 5,136,511	37%
Equipment, materials and supplies	2,853,659	1,804,770	63%
Other	<u>1,800,482</u>	<u>316,550</u>	18%
Total Measure B Expenditures	<u><u>\$18,660,906</u></u>	<u><u>\$ 7,257,831</u></u>	39%

- 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 public safety officers and civilian public safety staff. We selected a sample of individuals to agree 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 55 sworn public safety officers and 7 civilian public safety staff during the fiscal year ended June 30, 2017 using Measure A funds.

Of the 55 sworn public safety officers, 43 were new officers and 12 were existing sworn public safety officers. During the year, 4 of the new hires subsequently resigned or were terminated during the year. Additionally 1 of the existing sworn officers left the City's employment, leaving a net increase of 50 sworn public safety officers during the year. Furthermore, 16 of the sworn public safety officers out of 66 who remained as of June 30, 2016 subsequently resigned or were terminated during the fiscal year ended June 30, 2017, leaving 100 positions filled as of June 30, 2017.

Of the 7 civilian public safety staff, 6 were new hires; 1 was an existing employee of the City. The 7 civilian public safety staff were still in the City's employment as of June 30, 2017. In addition, 6 other existing civilian public safety staff hired during the previous fiscal years subsequently resigned or were terminated during the fiscal year ended June 30, 2017, leaving 24 positions filled as of June 30, 2017.

Since July 1, 2014, the City has hired a total of 183 sworn public safety officers, 38 civilian public safety staff, and 9 employees for the Office of Violence Prevention, for a total of 230 employees. As of June 30, 2017, 58% of the individuals hired remain in their positions. Please refer to the table below for more details.

MARSHALL PLAN POSITIONS (Cumulative)

<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>	<u>POSITIONS FILLED AS OF JUNE 30, 2017</u>
Police Sworn	120	40	66	100
Police Civilian	17	5	12	12
Neighborhood Services	6	6	6	8
Neighborhood Blitz	5	5	5	4
Office of Violence Prevention	<u>7</u>	<u>1</u>	<u>8</u>	<u>9</u>
Totals	<u>155</u>	<u>57</u>	<u>97</u>	<u>133</u>

- b. The City also employed 29 retired police officers in part-time positions. These are not included in the table above which only notes full time positions.

- c. We examined invoices, purchase orders, and City Council approval of resolutions for purchases of vehicles, radios, office equipment, and other supplies amounting to \$2,121,320.
5. We obtained the project activity reports and reviewed expenditures to date for the allocation of \$9,549,000 of Measure A funding for Mission Critical Spending shown below.

(As of 11/30/17)				
PROJECT DESCRIPTION	FISCAL YEAR APPROVED	MEASURE A FUNDING	EXPENDITURES TO DATE	REMAINING FUNDING
SEB 4th Floor Build Out	2016	\$ 1,500,000	\$ 1,141,836	\$ 358,164
Information Technology - ERP System	2015	5,000,000	104,497	4,895,503
Information Technology Projects	2016	385,000	-	385,000
Phase III LED Lighting	2016	1,576,000	1,287,945	288,055
Parks Irrigation Controller Upgrade	2016	588,000	294,340	293,660
Street Resurfacing	2016	500,000	500,000	-
Totals		<u>\$ 9,549,000</u>	<u>\$ 3,328,618</u>	<u>\$6,220,382</u>

- a. We obtained reports from City Finance Department staff entitled "Project Activity Listing" detailing activity by project for SEB 4th Floor Build Out Project, Information Technology Projects, Phase III LED Lighting Project, Parks Irrigation Controller Upgrade Project, and Street Resurfacing Projects in the total amount of \$3,328,618.

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.

Eadix and Payne, LLP

January 16, 2018
Riverside, California

CITY OF STOCKTON
MEASURES A AND B SCHEDULE OF SOURCES AND USES
 FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT 1

	<u>Final Budget</u>	<u>Year End Actual</u>	<u>Variance with Final Budget</u>
SOURCES/REVENUES:			
Measure A Transaction and Use Tax	\$30,161,000	\$30,048,605	\$ (112,395)
Total Revenues	<u>30,161,000</u>	<u>30,048,605</u>	<u>(112,395)</u>
USES/EXPENDITURES:			
Police			
Salary and Benefits			
Sworn	16,685,841	11,077,640	5,608,201
Non-Sworn	3,325,678	2,313,333	1,012,345
Vacancy Savings	(3,640,000)	-	(3,640,000)
Other Services	1,363,526	1,217,757	145,769
Materials and Supplies			
Fuel	146,461	135,690	10,771
Other Supplies	540,024	441,864	98,160
Equipment			
Radios	489,465	411,352	78,113
Vehicles	1,487,914	1,259,990	227,924
Technology Upgrades	195,851	170,401	25,450
Other Expenses			
Training	405,460	405,456	4
	<u>21,000,220</u>	<u>17,433,483</u>	<u>3,566,737</u>
Office of Violence Prevention			
Salary and Benefits			
Non-Sworn	627,914	615,792	12,122
Other Services	252,850	169,557	83,293
Materials and Supplies			
Other Supplies	11,289	9,487	1,802
Equipment			
Office Equipment	20,897	20,928	(31)
Vehicles	23,747	23,746	1
Other Expenses	8,750	7,712	1,038
	<u>945,447</u>	<u>847,222</u>	<u>98,225</u>

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

	<u>Final Budget</u>	<u>Year End Actual</u>	<u>Variance with Final Budget</u>
Basis Adjustment			
Encumbrances (Included in Final Budget)	-	\$ 160,609	\$ (160,609)
Total Measure B Expenditures	<u>\$21,945,667</u>	<u>18,441,314</u>	<u>3,504,353</u>
Measure B expenditures as a % of annual Measure A revenues	73%	61%	
Other City Services			
Mission Critical Projects			
Street Resurfacing	273,801	273,801	-
ULI Economic Development	76,166	31,600	44,566
Marketing/Communications Plan	100,000	74,800	25,200
General Fund Available Fund Balance	7,765,366	11,199,924	(3,434,558)
Basis Adjustment			
Encumbrances (Included in Final Budget)	-	27,166	(27,166)
	<u>8,215,333</u>	<u>11,607,291</u>	<u>(3,391,958)</u>
Total Uses/Expenditures	<u>\$30,161,000</u>	<u>\$30,048,605</u>	<u>\$ 112,395</u>

CITY OF STOCKTON
REVENUE AND EXPENDITURES
 FOR THE YEARS ENDED JUNE 30, 2017, 2016, AND 2015

EXHIBIT 2

	<u>2017</u>	<u>2016</u>	<u>2015</u>
SOURCES/REVENUES:			
Measure A Transaction and Use Tax	\$ 30,048,605	\$ 29,259,106	\$ 27,811,587
Total Revenues	<u>30,048,605</u>	<u>29,259,106</u>	<u>27,811,587</u>
USES/EXPENDITURES:			
Police	17,433,483	12,255,785	4,857,390
Office of Violence Prevention	847,222	611,857	209,932
Total Measure B Expenditures	<u>18,280,705</u>	<u>12,867,642</u>	<u>5,067,322</u>
Measure B expenditures as a % of annual Measure A revenues	61%	44%	18%
Other City Services			
Administration Overhead	-	730,920	230,096
Transfers to Mission Critical Projects	380,201	5,292,380	7,789,129
Total Other City Services	<u>380,201</u>	<u>6,023,300</u>	<u>8,019,225</u>
Total Uses/Expenditures	<u>18,660,906</u>	<u>18,890,942</u>	<u>13,086,547</u>
EXCESS OF REVENUES OVER EXPENDITURES AND TRANSFERS	<u>\$ 11,387,699</u>	<u>\$ 10,368,164</u>	<u>\$ 14,725,040</u>